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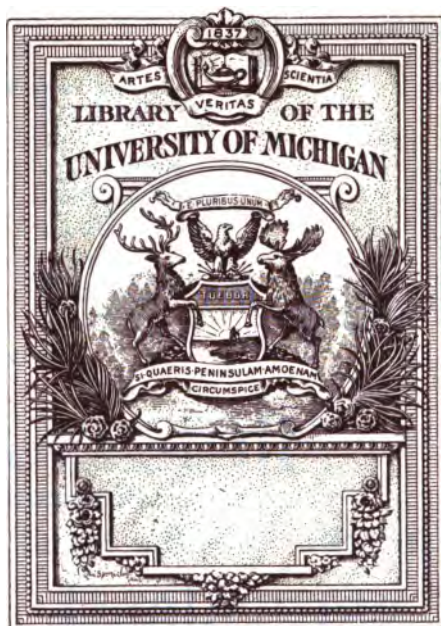
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VOL. I.

BANK BOOKKEEPING AND ACCOUNTS.

A CONCISE TREATISE

*shewing the application of the principles of Bookkeeping to
the record of Banking transactions.*

BY

JOHN A. MEELBOOM,

CHARTERED ACCOUNTANT,

AND

CHARLES F. HANNAFORD,

BECKETT PRIZEMAN OF THE INSTITUTE OF BANKERS.

SECOND EDITION.

LONDON :

GEE & Co., PRINTERS AND PUBLISHERS, 34 MOORGATE STREET, E.C.

1904



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PUBLISHERS' PREFACE TO THE FIRST EDITION.

THE object of the series of handbooks that will be published under heading of THE ACCOUNTANTS' LIBRARY is to provide, at a reasonable price, detailed information as to the most approved methods of keeping accounts in relation to all the leading classes of industry whose books call for more or less specialised treatment. No such series has hitherto been attempted; but there exist, of course, numerous separate works dealing with the accounts of one particular class of undertaking. These separate works are, however, for the most part either too expensive or too superficial to answer the purpose that is particularly aimed at by THE ACCOUNTANTS' LIBRARY, which is intended to supply the student with that specialised information which he may require, while at the same time affording to the trader, banker, or manufacturer who is not in a position to secure the fullest information for his purpose, knowledge which can hardly fail to be of the very greatest assistance to him in the correct keeping of his accounts, upon a system specially adapted to his requirements, and therefore involving a minimum expenditure of labour. It is expected that the series will also be found of material assistance to book-keepers of all classes.

Without aiming at giving an exhaustive account of the manner in which each separate business is conducted, the technical points in connection with each industry will receive as much attention as is necessary in order fully to elucidate the system of accounts advocated, while each volume will be the work of one who writes with knowledge of the particular class of

accounts of which he treats. It is obvious, however, that to enable the necessary ground to be covered in the space available, it is incumbent to assume upon the part of the reader a certain knowledge of general bookkeeping. The extent of the knowledge assumed will vary according to the nature of the class of accounts considered. For example, in the volumes on "Bank Accounts" and "Shipping Accounts" a thorough acquaintance with ordinary double-entry bookkeeping is not unnaturally assumed; but in the case, for instance, of "Auctioneers' Accounts," "Domestic Tradesmen's Accounts," and other similar volumes, such explanations are included as will enable the ordinarily intelligent reader fully to grasp the methods described, even although his knowledge of bookkeeping may be of an elementary description. These explanations are, doubtless, superfluous as far as accountants are concerned, but are necessary to make the volumes of value to the majority of those specially engaged in these particular industries.

To subscribers for the whole series it may be added that, when completed, it will form a most valuable and practically complete library, dealing, at the hands of specialists, with practically every class of accounts, and illustrating the application of the theory of double-entry as described in general works on bookkeeping.

In order to carry out this scheme, arrangements have already been completed for books dealing with the following subjects:—

Agricultural Accounts.

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Drapers' Accounts.

Gas Companies' Accounts.

Grain, Flour, Hay, etc., Merchants' Accounts.

<i>Hotel Accounts.</i>	<i>Soap and Chemical Manufacturers,</i>
<i>Ironfounders' Accounts.</i>	<i>Accounts.</i>
<i>Mineral Water Manufacturers'</i>	<i>Solicitors' Accounts.</i>
<i>Accounts.</i>	<i>Tailors' Accounts.</i>
<i>Polytechnic Accounts.</i>	<i>Theatre Accounts.</i>
<i>Shipping Accounts.</i>	

Arrangements for dealing with other subjects are now in progress, and the Editor wishes to add that he will be glad to receive suggestions and offers from accountants of experience for the undertaking of volumes not yet announced.

34 Moorgate Street,
London, E.C.

AUTHOR'S PREFACE TO THE SECOND EDITION.

THE necessity for the issue of a Second Edition provides me with the opportunity of recording changes made since the first appeared, and also of acknowledging practically the suggestions and criticisms kindly made by correspondents, the Press, and especially by Mr. C. F. Hannaford, to whom, owing to my absence from England, I am further indebted for his assistance in passing this edition through the press.

JOHN A. MEELBOOM.

BANK BOOKKEEPING AND ACCOUNTS.

TABLE OF CONTENTS.

	PAGE
PUBLISHERS' PREFACE	iii.
TABLE OF CONTENTS.. .. .	ix.
LIST OF BOOKS AND FORMS DESCRIBED	xiv.
INTRODUCTION	xvii.

CHAPTER I.:

Subsidiary Books recording Assets. .

Cash and Cash Articles (Counter and Post Receipts and Payments)	1
Coin	2
Coupons	6
Walks Cheques	8
House Cheques	8
Clearing House Cheques—	
Town	9
Country	12
Own Bank Notes	13
Country Bank Notes	14
Bank of England Notes	14
Bank of England Cheques	14
Foreign Cheques	15
Summary and Daily Cash Agreement	16
Bullion	20
Bills of Exchange Receivable	21
Bills for Collection—	
Inland	21
Foreign	24
Bills Discounted—	
Inland	24
Foreign	27
Re-discounting	28

	PAGE
Retiring	29
Returned unpaid	29
Lost Bills	29
Investments	29
Securities held against Advances—	
Loans to Bill Brokers and other Banks, "Floaters"	30
Loans to Stockbrokers	31
Advances on Consignment	33
Loans to Customers	35
Loans on Personal Guarantee	39
Securities held for own Account	40
Bank Premises, Furniture, &c.	40

CHAPTER II. :

Subsidiary Books recording Liabilities.

Own Bank Notes.. .. .	42
Current Accounts	44
Lodgments	48
Deposits	49
Bills of Exchange Payable	52
Rebate	56
Contingent Liability on Bills Re-discounted	57
Contingent Liability on Foreign Bills Negotiated	57
Shareholders' Capital	57
Annual Summary	60

CHAPTER III. :

Subsidiary Books recording Profit and Loss.

Earnings chargeable to Customers—

Interest Received—

On Current Accounts.. .. .	63
On Interest Product System "Forward"	63
On Interest Product System "Backward"	65
On Interest Product System "Balance"	67
Months and Years	67
On Loans	68
On Branch Balances	68

CONTENTS.

xi.

	PAGE
Discount	68
Exchange	68
Interest on Investments.. .. .	69
Interest Accrued	69
Rents Receivable	70
Deductions from Earnings—	
Interest Paid—	
On Deposits and Lodgments	70
On Current Accounts.. .. .	71
On Branch Balances	71
Earnings not Chargeable to Customers	72
Transfer Fees	72
Fines	72
Charges for Services Rendered	72
For which Customer is Charged—	
Keeping the Customer's Account	72
Accepting Bills	73
Collecting Country and other Cheques	73
Issue of Cheque Books, &c... .. .	73
Sale or Purchase of Securities	74
Issue or Payment of Letters of Credit	75
Issue or Payment of Circular Notes	75
Issue or Payment of Telegraphic Transfers	75
Postages Disbursed	75
Acting as Registrars of Stocks and Shares	75
Negotiation of Loans	76
For which Customer is not Charged	76
Receiving Property for Safe Custody	76
Collecting Coupons, &c.	77
Coupons	77
Dividends and Annuities	78
Drawn Bonds	78
Executing Standing Orders	79
Making Transfers to Branches	79
Expenses—	
Salaries	80
Pensions	80

	PAGE
Directors' Fees	80
Rent, Rates, and Taxes	80
Office (Incidental) Expenses	81
Postage	81
Provision for Bad and Doubtful Debts	81
Depreciation of Leases and Bank Premises	81
Distribution of Profits—	
Payment of Dividends	81
Income Tax on Profits	82
Appropriation to General Reserve	82

CHAPTER IV.:

Subsidiary Books recording Transactions with Branches and Agencies.

Home Branches—

Branch Debits to Head Office	84
Branch Credits to Head Office	85
Drafts drawn by Branch on Head Office	85
Head Office Debits to Branch	86
Head Office Credits to Branch	87

Foreign Branches—

Duplicate Advices	88
Treatment of Foreign Currencies	88
Outward and Homeward Accounts.. .. .	89
Draft Sold by Head Office on Branch	90
Branch Bills Purchased	90
Bills sent to Branch for Collection.. .. .	91
Bills received from Branch for Collection	91
Telegraphic Transfers issued	91
Telegraphic Transfers received	91
Letters of Credit issued	92
Documentary Letters of Credit	93
Letters of Credit received	93
Circular Notes	94
Summary of Transactions	95
Items in Transit	96

CONTENTS.

xiii.

PAGE

Appendix—

Branch Returns—Statistical	97
------------------------------------	----

CHAPTER V.:

The General Ledger, its Journal (Daily Summary Book), and the Balance Sheet.

General Ledger	99
Differing Usages	100
Journal	101
Differing Usages	104
Opening Balances	105
Additional Transactions	105
General Balance Sheet : Its Preparation	
Head Office Balance Sheet	106
Combined Branch Balance Sheet	108
Balance Account	108
General Balance Sheet	108
Statutory Statement	110

CHAPTER VI.:

Checking, Inspection, and Audit

By the Customer	111
Pass Book	112
Statements of Account to Agents, &c.	112
Certifying the Customer's Balance	113
By the Bank's own Staff	113
Examiners	113
Inspectors	114
Managers	115
By the Professional Auditors	115
Their Responsibility	115
Their Duties	116
Extra-European Branch Returns	120

GLOSSARY	121
------------------	-----

LIST OF BOOKS AND FORMS DESCRIBED.

	PAGE		PAGE
Acceptance Book	54	Branch Cheques Register ..	86
Acceptors' Ledger	26	„ Credits Register ..	84
Advances on Consignment		„ Current Account ..	85
Register	34	„ Debits Register ..	85
Agents' Ledger	83	„ Drafts Sold Register	90
Annual Summary of Share-		„ Ledger	85
holders	60	„ Received Waste Book	87
Assets and Liabilities, Statu-		„ Remittance Book ..	84
tory Statement	110	„ Statistical Returns ..	98
Balance Sheet	109	„ Transfers Book ..	85
Bank of England Book ..	14	Bullion Book (cash)	18
Bank Premises Ledger ..	41	„ Register	20
Billbrokers' Loan Register ..	30	Calendars	4
Bill Diary (Collection Bills)	22	Cash Balance Book	19
„ „ (Discounted Bills)	27	Character Book	39
„ Journal	22	Charges Book	10
„ Ledger (Collection Bills)	22	„ Ledger	62
„ „ (Discounted Bills)	26	Check Ledger.. ..	45-6
Bills Accepted Diary ..	54	Cheques Received Book ..	87
„ „ Register ..	54	„ Remitted Book ..	86
„ Discounted Diary ..	27	Circular Notes Issued	
„ received for Collection		Register	94
Ledger	22	Clearing Balance Analysis	
„ received for Collection		Book.. ..	10
Register	22	Clearing Balance Book ..	11
„ received for Discount		Coin and Notes Daily Bal-	
Register	25	ance Book	17
„ received for Discount		Consignment Ledger ..	34
Ledger—(Customers)	26	Consol Register	78
„ received for Discount		Correspondents' Ledger ..	83
Ledger — (Acceptors)	26	Country Cash Register (pay-	
Bonds and Securities Register	76	ing)	7
Branch Balances Book ..	95	Country Cash Register (re-	
„ Balance Sheet ..	108	ceiving)	7
„ Cash Account ..	85		

LIST OF BOOKS AND FORMS DESCRIBED.

XV.

	PAGE		PAGE
Coupons to collect Register	77	Journal	103
Current Accounts Credit Analysis Book	45	„ Subsidiary	xx
Current Accounts Debit Analysis Book	46	Key Ledger	100
Current Accounts Ledger ..	47	Letter of Credit Issued Register	92
Customers' Loan Ledger ..	36	Letter of Credit Ledger ..	92
„ „ Register ..	36	Letter of Credit Received Register	93
„ „ Security Register ..	37	Loans Cash Book ..	30, 32
Daily Lists	27	„ Diary	31, 38
„ Summary Book ..	103	„ Ledger	36
Day Book	103	Lodgment Ledger	48
Dead Accounts Return ..	98	Loro Account.. ..	89
Deposit Bill Journal.. ..	22	Money Book	17
Deposits Diary	49	Nostro Account	89
„ Ledger	51	Note Register	42
„ Received Register..	49	Notes in Circulation, Statutory Statement	44
Discount Cash Book ..	25	Out Clearing Book	9
„ Ledger	26	„ „ Cash Book ..	9
„ Register	25	„ Country Clearing Book	13
Drafts Register	54	Outward Account	89
Foreign Bills Purchased Register	27	Paid Day Book	5
Foreign Drafts to Collect Register	15	Pass Book	112
General Ledger	100	Past Due Bills Book ..	28
Goldsmith's Book	14	Paying Book	4
Head Office Balance Sheet..	107	„ Cashier's Cash Analysis Book..	5
„ „ Branch Debits Register	86	„ „ Cash Register ..	4
„ „ Branch Credits Register	87	Postage Book	81
Homeward Account	89	Principal Ledger	100
In Clearing Cash Book ..	10	Profit and Loss Ledger ..	62
„ Register	10	Proprietors' Ledger.. ..	59
„ Waste Book	10	Received Day Book	3
In Country Clearing Register	13	Receiving Book	2
Information Book	39	Receiving Cashier's Cash Analysis Book	3
Inspection Book	39	Receiving Cashier's Cash Register	2
Interest Receipt	49	Rediscount Register ..	28
Investment Ledger	40		
„ Registers	40		

	PAGE		PAGE
Reference Book	39	State	97
Rents Ledger	70	Statement of Account (Agents)	112
Returned Bill Register ..	29	Stock Book	18
Salaries Book	80	Stockbrokers' Loan Register	32
Sectional Cash Book ..	45-6	" Securities ..	33
Securities held for Accepted		Sundries Journal	73
Bills Register	54	Supplementary Cash Book ..	4
Securities purchased for		Take-up Book	29
Customers Register ..	74	Telegraphic Transfers Issued	
Securities received for Safe		Register	91
Custody Register	76	Telegraphic Transfers Re-	
Security Book	37	ceived Register	91
Share Ledger	59	Transfer Credits	79
Shareholders, Annual Sum-		" Journal	58
mary of	60	" Register	58
Short Bill Book	22	" to Deposit Register	51
" " Diary	22	Trial Balance	105
" " Ledger	22	Walks Book	8
Signature Book	4	Waste Book, Paid	5
Sold Bills Register	28	" " Received ..	3
Specie Book	2	" Trial Book	18
Standing Orders Diary ..	79		

Supplementary Leaflet to "BANK BOOKKEEPING AND ACCOUNTS."

METROPOLITAN CLEARING (established 1907).—

There are now *three* clearings at the London Clearing House, viz.: Town, Country, and Metropolitan (cheques being distinguished by the letters T, C, or M printed on them).

The last-named largely replaces the cumbersome system of "Walks." "Metropolitan" Banks and Branches comprise (1) *all* the Branches of Clearing Banks (and *some* of the non-Clearing Banks) formerly on the Walks, (2) a large number of the nearer suburban Branches. The remaining suburban Branches are now on the Country Clearing.

The Metropolitan Clearing starts at 9 a.m. and ends at 10.30 a.m. (Saturdays 8.45 to 9.50). Each Clearing Bank distributes its charge among the Banks or Branches on which the cheques are drawn, and they are paid, or returned unpaid to the Clearing House by 4.5 p.m. (1.30 on Saturdays), the same day. The totals of each Bank's "In" and "Out" Clearing are added to the morning Town Clearing, and "Returns" are included in the afternoon "Out" Town Clearing.

In the system of accounts separate columns are now required for *each* Clearing in the Waste Books (pp. 3 & 87) and Branch Remittance Book (p. 84).

Cheques are entered up in separate "In" and "Out" Metropolitan Clearing Registers (see p. 10), the totals being added to the Town Clearing, and entered in the Clearing Balance Book (p. 11). The total of "In" Clearing will also appear separately in the Paid Waste Book (p. 5).

Each Branch lists its charge on sheets, and credits the total (less Returns) to Head Office, which replies with a debit in the Branch Debits Register (p. 86), which will still contain debits for "Bankers' Payments" issued by Branches for sundry direct remittances to other Banks.



INTRODUCTION.

THIS book is intended for those who, having learned the rules of bookkeeping by double-entry, desire to know how, in an undertaking so complex as a modern bank, they are applied so as to ensure not only accurate results, but also that economy in time and lucidity of record which are nowhere more requisite than in a bank. Chiefly by amalgamation, banks have become such vast institutions—probably one-half of the bank clerks in the United Kingdom are now employed in a dozen banks—that many bank clerks have few opportunities of gaining information as to the manner in which these vast machines work, and how it is possible for them to keep their records with the accuracy and the clearness that they do.

Even to a bank auditor, accustomed as he is to prompt methods, and to separate the principal from the subsidiary books of account, a bank audit is always one that requires an extensive knowledge of a bank's machinery, for in no case does the relation of the customers to the business change more rapidly.

To describe the application of double-entry bookkeeping, the various operations of banking have been grouped according to the similarity of their nature; the whole scheme of accounts is thus treated in a systematic manner, which, it is hoped, will be useful to every student of the theory of banking, as well as to those who make it their profession.

Trustee Savings Banks are not directly dealt with. They are governed by statutory rules, and have for some years been supervised by the Trustee Savings' Bank Inspection Committee.

A Glossary of terms used by bankers is appended, legal definitions being given as frequently as possible.

The examples given are not special to any one bank—indeed, no bank fulfils *all* the functions which are described in the following pages—but the facts have been gathered from many different sources, so as to give the greatest possible information.

The reader is recommended to trace by means of the numerous references* the manner in which the detailed examples in the following pages are carried into the final Balance Sheet, and *to compare it with the system to which he is used*. In doing so, he must remember that, to make the procedure clear and consistent, it has occasionally been necessary to describe more elaborate methods than a capable bank accountant will find needful in the system he controls—*e.g.*, the entry in detail of each House cheque in the Paying Cashier's Books should be unnecessary, as they are in total the same as have already been entered in the Receiving Cashier's Book, and the particulars appear in the Current Accounts Debit Analysis Book; the work on Suspense Accounts in connection with the recording of acceptances and bills for collection and country cheques is often done on the shorter method indicated, descriptions may be shortened, &c. Practice alone teaches how such methods can be safely used.

The transactions used as examples in the following pages are, unless otherwise stated, to be presumed as recorded at Head Office. Branch books are kept in exactly the same

* A reference folio at the side of an amount refers only to that amount; underneath a column it refers to the total amount above it. These folios refer to the page numbers of the book.

manner as those at Head Office. The only point at which a seeming difference arises is on some transactions to which both the Head Office and the branch are party.

As one bank knows its books by names differing from those used by another bank—such names frequently affording no exact clue as to the contents—the lines adopted to enable the reader to identify the more readily the book he knows with the book described, are the following:—

1. Every book is given a name which describes its contents, even if it is one that is too long for ordinary use.
2. A **Register** is any book which first records the receipt or issue by the bank of any sum or document.
3. An **Analysis Book** is any book which records the classification of items before passing them to their different destinations.
4. A **Diary** is any book which shows in chronological order the dates at which transactions are due for completion.
5. A **Ledger** is any book in which are shown the changes on Personal or Impersonal Accounts, and the debits and credits causing them.
6. **Closing Date** is the term used to signify the date when a financial year or half-year ends, and a Balance Sheet is prepared for publication.
7. **Slip** is the term used to denote a form filled up by a customer—*e.g.*, paying-in slip.
8. **Docket** is the term used to denote a form filled up by an *employé* of the bank, and is for internal use only—*e.g.*, debiting charges to a customer's account.

It is the practice in some banks to use, instead of loose dockets, bound volumes, which are thus subsidiary Journals. In each of these only one class of internal entry is usually made, and it then travels between the departments like the docket described in the following pages.

The extent to which each of the books named above will be sub-divided depends entirely on the number of transactions of a similar nature that there are to record. If there are many, they will be divided into sections, each one having its own set of books—*e.g.*, Current Accounts are divided into A—B, B—C, &c. Further saving of time results from using the same book on alternate days of the week only, and still more from having a different book for every day of the week or for every month of the year, and from distinguishing books by their colour or by some difference in their bindings or rulings—*e.g.*, Receiving Cashier's Cash Register and Receiving Cashier's Cash Articles Analysis Book.

CHAPTER I.

SUBSIDIARY BOOKS RECORDING ASSETS.

(The Assets are arranged in the probable order of their realisability.)*

CASH AND CASH ARTICLES.

(Including Coin, Bank Notes, Cheques, Postal Orders,
and Coupons).

Counter-Receipts.—

A CUSTOMER paying into an account at a bank will hand over to the “teller” or cashier a paying-in slip—that is, a list recording the particulars of what he deposits. The usual headings on it are—Gold, Silver and Copper, Bank Notes, Country Notes, Own Notes (*i.e.*, a bank’s own issues, see page 42), Cheques (Drafts) and Dividend Warrants payable in London. Country cheques are sometimes shown as well, but frequently they are listed on a separate slip and handed to the Country Department (see page 7).

The cashier enters the receipts under date, say December 28th, in his Cash Register.

* Loans at Call may be more readily realisable than Bills of Exchange, and Own Investments than Advances on Consignments.

RECEIVING CASHIER'S CASH REGISTER.

"RECEIVING BOOK"—"SPECIE BOOK."

Coin	Description	Bank Notes	Own Notes	Cheques, &c.	Name	f	Total
£ s d 9 4 1	5 £5 ^H ₈₀ 52,741-5 21 : 11'00	25		£ s d 10 385 19 8	T. Dixon ..	64	£ s d 10,440 3 9
	4 £5 ^C ₁₈ 14,713-6 18 : 2'99		20				
				25 0 0 12 0 0 ..	T. Simon, Rent. J. Brown .. Draft sold ..	70 47 90	25 0 0 12 0 0 104 3 4
104 3 4							
113 7 5		25	20	10,422 19 8			£10,581 7 1
f 3		f 14	f 3	f 3			

Coin.—

Exchanges of coin for notes, or *vice versâ*, may be entered in this and the Paying Cashier's Cash Register. If entered in a separate Register, its totals will appear in the Coin and Notes Daily Balance Book (see page 17).

He puts the coin in his till—gold is usually done up in £50 or £100 bags or rolls; silver in £5 or £10 bags; copper in 5s. or 10s. bags—and passes the paying-in slip with the cheques for entry, according to its component parts, in a

RECEIVING CASHIER'S CASH ARTICLES ANALYSIS BOOK.

"RECEIVED DAY BOOK"—"RECEIVED WASTE BOOK."

Name	Total	House	Bank of England	Walk	Town Clearing "Out"	Country Clearing	Country Notes (by name of London Banker)	Branch and Sundries
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	Glyn	£ s d
T. Dixon . . .	10,385 19 8	41 8 5	73 8 0	17 0 1	10,186 1 7	9 14 3	..	48 7 4
Rent, T. Simon . .	25 0 0	..	..	..	25 0 0	..	..	..
J. Brown . . .	12 0 0	..	..	..	12 0 0	..	..	..
<i>f</i> 2	10,422 19 8	41 8 5	73 8 0	17 0 1	10,223 1 7	9 14 3	..	48 7 4
Cash and Notes as above*	158 7 5	..	25 0 0	..	..	..	..	113 7 5
Country Clearing Dec. 24th	412 4 8	..	..	..	412 4 8	..	..	20 0 0
<i>f</i> 13	10,993 11 9	41 8 5	98 8 0	17 0 1	10,635 6 3	9 14 3	..	48 7 4
	10,993 11 9	41 8 5	98 8 0	17 0 1	10,635 6 3	9 14 3	..	133 7 5
	<i>f</i> 19	<i>f</i> 5	<i>f</i> 14	<i>f</i> 11	<i>f</i> 11	<i>f</i> 11	<i>f</i> 11	<i>f</i> 5 <i>f</i> 2

* If these are set out in different columns they serve to check the cashier.

Distribution.—

From this point, the various articles are then distributed to their respective departments—the Bank of England notes and cheques are listed ready for payment into the Bank's Account at the Bank of England (see page 14). All the notes lodged by one customer are sometimes known as a "sundries parcel," and all the parcels together are known to some banks as the "lot." "House" cheques—*i.e.*, cheques on another account in the same office pass to the paying cashier (see page 5).

The cheques on London clearing bankers go to the Clearing Department (see page 9). Of the cheques on London non-clearing bankers, those to be collected by Head Office pass to the Walks Department (see page 8), those collectable at Branches pass as Branch cheques (see page 86), and the remainder are sent by post for collection, a banker's payment being received for those honoured. Country notes pass to the

Walks Department (see page 8). A large bank will have many receiving cashiers whose work is divided to correspond with the division of the Current Account Ledgers; thus, one will receive for accounts in Ledgers A—E, another for those in Ledgers F—K, &c. As to the manner in which the credit for these cheques, &c., paid in is passed to the Customers' Accounts, see page 44. Cheques on country banks, if not received in a separate Country Department (see page 7), are passed to the Country Clearing Department (see page 12).

Counter-Payments.—Signature Book.—

On presenting a cheque at the paying cashier's desk he scrutinises the signature to see if it is genuine (comparing it with the 'Signature Book if necessary), and satisfies himself from "Calendars," *i.e.*, registers of customers' daily balances, or the Ledger Account itself, that there is no other obstacle to its being debited to the customer—*e.g.*, that the account is in sufficient credit. (In some places the Ledger clerk performs these duties.) The cashier then enquires of the bearer whether he will take notes or coin, and cancels the cheque. According to the answer an entry will be made in his Cash Register.

PAYING CASHIER'S CASH REGISTER.

"SUPPLEMENTARY CASH BOOK."—"PAYING BOOK."

Total	f	Name of Account	Coin	Notes		
				Description	Own	Bank of England
£ s d			£ s d		£	£
		B. Eden ..	8 0 0	106 £5 ^C / ₁₂ 9,872-7	530	
558 0 0 {	67	..	..	17:12 98		20
0 2 6	64	T. Dixon, Not-	0 2 6	4 £5 ^A / ₁₈ 16,870-3		
70 0 0	103	ary charges	70 0 0	21:9 00		
		Salaries A/c ..				
£628 2 6			78 2 6		530	20
f 17			f 17		f 17	f 17

Either at the head of the day's entries, but separated from them, or in a separate book, both the balance with which each cashier starts the day and the money he receives—*f*19 £2,100—can be recorded.

The totals, not merely of coin and notes paid away, but also of cheques, &c., sent away to branches and to the Bank of England must be entered out. These entries do not affect the coin and notes, nor does the "In" clearing, hence they are generally entered in a separate

PAYING CASHIER'S CASH ARTICLES ANALYSIS BOOK.

"PAID DAY BOOK"—"PAID WASTE BOOK."

Total	Account	f	House	Walks collected	Branch	Clearing "In."	Bank of England	Sundries
£ s d			£ s d		£ s d	£ s d	£ s d	£ s d
41 8 5	J. Brown	47	41 8 5					
98 8 0	Bank of Eng- land	14	..	..	..	..	98 8 0	
15 0 0	Country Notes	86	..	..	..	15 0 0		
48 7 4	Thame	86	..	..	48 7 4			
	Coin & Notes							
628 2 6	as above ..	4	..	..	..	..	..	78 2 6
	do.	4	..	..	..	..	..	530 0 0
	do.	4	..	..	..	..	..	20 0 0
831 6 3	Clearing— Country, Dec.		41 8 5		48 7 4	15 0 0	98 8 0	628 2 6
	24	13	..	..	..	343 7 7		
14,717 16 8	Town, Dec.	10	..	..	..	14,284 1 7		
	28	29	..	..	..	90 7 6		
	Returns, do...							
£15,549 2 11			41 8 5		48 7 4	14,732 16 8	98 8 0	628 2 6
<u>f 19</u>			<u>f 3</u>		<u>f 3</u>	<u>f 11</u>	<u>f 14</u>	<u>f 17</u>

The last two entries may not be made till the following day (see page 19).

As to the manner in which the debits for these payments pass to the Customers' Accounts, see page 46.

Country banks and London West End banks sometimes retain their customers' cheques, unless they are asked for; other banks deliver them with the Pass Book to the customer.

Coupons.—

Coupons are practically cheques payable to bearer at a certain day. The practice is for the collecting banker to leave them, together with a list made up on a form supplied by the paying bank, at the latter's office three clear days for examination, receiving a ticket in exchange. On the fourth day the collecting banker calls, surrenders the ticket, and is paid the amount of the coupons, less income tax, by means of a crossed bearer cheque or by cash. Where the coupon is in arrear or there has been a change in the rate of income tax, the paying banker must see that he deducts tax at the proper rate. A reference to the Income Tax Commissioners may be occasionally desirable; but the rule can be stated in outline to be that the income tax at the full ruling rate is to be deducted from the whole amount paid in every case, except where the payment is made out of the revenue earned by a trading concern incorporated under the law of Great Britain and Ireland.

Coupons payable abroad are frequently sold to foreign bankers instead of being collected. The customer is credited when the coupon is paid.

Post Receipts.—

Particulars respecting every letter received by a bank are entered in a book kept for that purpose. The record generally shows the day and hour of receipt, a brief memorandum of the enclosures, and a note of the department to which the letter is handed. The contents are then sorted up, and the notes, cheques, &c., are passed for entry into the Receiving Cashier's Cash Register. If post entries are sufficiently numerous, there will probably be one or more of these books used solely to record them. The notes and cheques then pass to their respective destinations just like the counter-receipts described on page 3.

The letter returns to the Correspondence Department, which sees that everything to which it refers has been dealt with by the proper departments, and then replies in such manner as the circumstances demand.

Post Payments.—

Coin is seldom sent by post to a customer. Where such is asked for (or notes), the demand will probably be met by the counter Paying Cashier or the Country Department (see below).

Country Department.—

Banks with a large amount of country business, whether with individuals or with country banks, will have a Country Department, in which all matters relating to those Customers' Accounts will be dealt with in the same manner as has already been narrated for counter and post entries, and will be similarly recorded in Country Receiving Cashier's Registers, Country Paying Cashier's Cash Registers, &c.

Where a bank uses its Country Department to receive cheques drawn on, or notes payable by country banks, a separate paying-in slip will be used, and the Country Notes and Country Cheques columns will be omitted from the books described on pages 3 and 5.

Cheques, credits, and large amounts of coin or notes received from and sent to Branches are often dealt with by a separate "Branch" section of this department. Such transactions will be recorded in separate Receiving and Paying Cashiers' Registers, and afterwards in the Receiving or Paying Cashier's Analysis Book for credit or debit to the respective branches.

Postal Orders.—

Postal orders may be listed on a separate slip, on which the different denominations of the orders are printed, the

affixed stamps being added separately. On presentation of the orders by the bank to the Post Office, the Bank of England is instructed by the Postmaster-General to pay their amount.

The cheques, &c., received will be collected as follows:—

Walks Cheques.—

On receiving cheques drawn on London non-clearing banks, the walk clerks sort them up into districts and enter them in Walks Books. They are then presented at the paying banks, which give banker's payments for those which they will honour, and the others are returned with the reason for refusal to pay noted on them. Those for which payment is received are marked off in the Walks Books, and their total is entered in the Paying Cashier's Cash Articles Analysis Book. The banker's payments are entered in the Receiving Cashier's Cash Articles Analysis Book under Town Clearing, and presented at the clearing. Dockets are made out for the returned cheques, entered in the Paying Cashier's Analysis Book, and passed to the Ledger Department for debit to the Customers' Accounts. Meantime, the returned cheques are sent to the customer direct. This department frequently obtains payment of bills payable at private houses. In the example, the cheque, £17 os. 1d., is lodged too late for collection on the same day. The amount of cheques held by the Walks Department will agree with the balance in the Walks column in the Receiving and Paying Cashiers' Cash Articles Analysis Books.

House or "Own" Cheques—"Customers' Debits"

(including Cheques on Branches). As these are cheques drawn by one customer of a bank and paid in by another customer for his own credit, they are simply authorities to transfer amounts from one Ledger Account to another.

The paying cashier's entries will, therefore, always agree with those of the receiving cashier. From the paying cashier they pass to the Ledger Department (see page 46) or to the Branch Department (see page 86), according as they are payable at Head Office or at a branch.

Clearing House Cheques : Town.—

In London the Clearing House is the place where the principal banks in the City of London exchange the cheques payable at their respective offices, the final settlement being made by an order—green if a credit, blue if a debit—to the Bank of England to transfer from one bank's account to another. The system was found to work well, and has been copied by banks in provincial towns (except as to settling at the Bank of England) and by banking centres abroad.

By amalgamation the number of banks having "seats at the clearing" is reducing. At present, December 1903, they are 19 in number.

At frequent intervals during the day each clearing bank sends to the House bills and country notes payable at other clearing banks. The bills are sent in on the afternoon of the day before they mature, ready for clearing early next day. They appear in the Cash Summary on the day they fall due (see page 19).

"Out" Clearing.—

The Clearing Department of the bank lists the cheques received by it from the receiving cashier in an "Out" Clearing Book (Cash Book), with one or more columns for each "clearing seat,"* and its "out" clerk "delivers" the "articles"—*i.e.*,

* One bank may have more than one seat at the clearing. For Form see "In Clearing Register."

cheques, &c., with the lists, technically called a "charge," at the House, to the paying bank's representative, to whom it will be an "in" clearing. The latter sends the cheques to his bank for debit to its Customers' Accounts. The Clearing Department will have noted the total of the various charges delivered in an "Out" Clearing Book.

"Returns."—"In" Clearing.—

If any of the cheques are returned a reason must be assigned, and the charging bank then credits itself with their amount. The Clearing Department of the bank receives from the Clearing House the "charges" payable by it, and examines them. The cheques are entered in an In Clearing Register and passed to the Ledger Department (see page 46), which cancels those which it will honour.

*** "IN" CLEARING REGISTER.**

**"CHARGES BOOK"—"IN CLEARING WASTE BOOK"—
"IN CLEARING CASH BOOK."**

Bank	Barclay	Capital and Counties	Glyn	Joint Stock	London and County	London and West- minster	Total
£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1,209 8 4	704 12 3	4,370 1 0	5,000 0 0	3,000 0 0			
£1,209 8 4	£704 12 3	£4,370 1 0	£5,000 0 0	£3,000 0 0			£14,284 1 7
							f 5

The totals of the In and Out Clearing Registers are entered separately for each clearing bank in a Clearing Balance Analysis Book, unpaid cheques being listed in separate columns. The net daily balance due to or from each bank is

*The form of the "Out" Clearing Register will be similar to this, except that the Bank of England is omitted (see p. 14).

shown in other columns, the sum total of these differences again agreeing with the amount shown as due to or from the Clearing House in the Clearing Balance Book (see below).

At the Clearing House each clerk notes how much is due by or to his bank, and at the end of the day a balance is struck, and a signed order issued to the Bank of England to transfer the difference from the account of one bank to that of another. In the present case our bank has to receive £1,330 4s. 8d., as the following summary shows:—

CLEARING BALANCE BOOK.

Country Cheques for Collection—	f	£	s	d	£	s	d	Branch Cheques presented by other Banks—	f	£	s	d
Parr*	5				9	14	3	Thame	86	84	4	5
					f 19					f 19		
"Out" Clearing								"In" Clearing				
Bills Due—								Paying Cash An-				
Barclay .. 27		90	7	6				alysis Book .. 5	14,732	16	8	
London Joint.. 32		160	4	0	250	11	6					
Receiving Cash												
Analysis Book—												
Town Clearing	3	10,635	6	3								
Country Notes.. 3		10	0	0								
Less		10,645	6	3								
Cheques received												
too late for Clear-					10,633	6	3					
ing 11		12	0	0								
Re-Discount Regis-												
ter 28					4,979	3	7					
Branch Credit												
Register—												
Lloyd 84		155	0	0								
Union 84		19	0	0								
H. O. Branch Cre-												
dit Register—												
L. J. S. 87		26	0	0	200	0	0					
Balance due to								Balance due from				
Clearing House..								Clearing House.. 14	1,330	4	8	
					£ 16,063	1	4		£ 16,063	1	4	
Next day's Clear-												
ing—												
Walks (if re-												
ceived) .. 3		17	0	1								
Town (as above) 11		12	0	0								
		£ 29	0	1								
					f 19							

* Country cheques paid in before 12.30 are settled on the third day, including day of presentment at the Clearing.
Scotch and Irish are allowed four days.

“Marked” Cheques.—

It is generally found impossible to present at the Clearing House all cheques paid in during the day, and in particular those received just before close (4 p.m.) of the banking day (see example £12). With regard to these late cheques, if the collecting bank desires to be protected from paying out against any which might subsequently be returned unpaid, it can present such cheques to the paying bank direct on the same afternoon to be “marked”—that is, initialled by one of its officials as being good for settlement in the first clearing on the following day.

Clearing House Cheques: Country.—

On ordinary days cheques on country banks must be paid in so as to reach the Clearing House by 12.30. Those received later will go into the following day's country clearing. The records are similar to “Town” clearing described above. After the close of the “Country” clearing at 2.15, each of the banks sends the cheques it receives to the various branches and the country banks for whom it acts as agent. Any cheque returned “unpaid” by the country bank must be sent direct to the bank* where it was paid in. The credit for the “return” will be allowed at a subsequent clearing. If there is no such “return” by the country bank on the day it receives the cheques, they are held to have been accepted (see *Parr v. Ashby*), and the amount is allowed in the next town settlement (see £343 7s. 7d. in example). There being then always three days' country cheques outstanding, a Country Clearing Book is kept in which all the amounts of country cheques received are entered as shown below. By this method, in respect of any one day's receipts, there would be a debit balance on a Country Clearing Suspense Account representing cheques due

* Its identity is established by its name and address being stamped across the cheque.

in three days' time, and an equal credit balance on a Customers' Suspense Account representing the amounts to be credited to customers in three days' time. Many banks are content to exclude these cheques from the system of accounts until they are settled at the Town Clearing, when the debit comes through the "out" clearing, and the Current Account Ledger Department is advised by docket so that it may credit the accounts of the individual customers.

Where the Customer's Account is credited at once with the country cheques he pays in, the only entry necessary, when settlement is made at the Town Clearing, is to transfer their amount from Country to Town Clearing. The first example following assumes this to have happened on December 28 in respect of cheques paid in on December 24 and at once credited to the customer.

"OUT" COUNTRY CLEARING BOOK.

		f	£	s	d			f	£	s	d
Dec. 24	To Cheques on					Dec. 28	By Town Clear-				
	other Banks..	105	412	4	8		ing ..	3	412	4	8
" 28	Do.	103	9	14	3			f 103			

"IN" COUNTRY CLEARING REGISTER.

		f	£	s	d			f	£	s	d
Dec. 28	To Town Clear-					Dec. 24	By Cheques on own				
	ing ..	5	343	7	7		branches, &c. ..	105	343	7	7
		f 103				" 28	Do.	103	84	4	5

The records of the Clearing Department then agree on the one side with the Receiving and Paying Cashiers, and on the other side with the respective banks at the Clearing House.

Own Bank Notes.—

The cashier keeps these to pay away as often as they are received by him. The liability of the bank on its notes in circulation is the amount sanctioned less those which its cashier holds (see page 43).

Country Bank Notes.—

A small charge is sometimes made by the London agent of the country bank for paying these. On presentation to him by the Walks Department he gives a banker's payment for them, which passes at once through the clearing like a "town" cheque (see £10 and £15, pages 11 and 5). The notes are sent the same afternoon to the country bank like a country cheque.

Notes of the Bank of England.—**Cheques on the Bank of England.—**

At page 3 it has been mentioned that the notes received are listed ready for payment into the Bank of England. It is not the custom for the London bankers and the Bank of England to put again into circulation any of its notes which reach their hands, with the result that the life of a £5 bank note is about a week. The Bank of England clears "out" only—*i.e.*, presents cheques on other banks at the Clearing House, but demands that cheques on it shall be paid in by the presenting bank direct to its account at the Bank of England. See £73 8s. in the following example:—Such cheques and the totals of listed notes are entered in a

BANK OF ENGLAND BOOK.**"GOLDSMITH'S BOOK."**

PAID IN							DRAWN OUT		
Date		Gold	Notes	Post Bills	Cheques and Warrants	f	Total		f Total
Dec. 28	Receiving Cashier's Cash An- alysis Book Clearing Balance Book		£		£ s d		£ s d	Notes.. 17	£ s d 90 0 0
			25		73 8 0	3	98 8 0	Silver.. 17	10 0 0
					1,330 4 8	11	1,330 4 8		
			£25		£1,403 12 8		£1,428 12 8		£100 0 0
			f 5 f 17		f 5 f 19		f 103		f 103 & f 19

The item of £100 drawn out represents an amount of notes and silver which the cashier obtains from the Bank of England by presenting a cheque on the bank's account there. It will be distributed among the paying cashiers according to their requirements.

The daily total of debits and credits to the Bank of England will be obtained from this book.

Foreign Cheques.—

When cheques or drafts on banks situate abroad are received for collection they are forwarded to some foreign bank to collect. The amount is entered in a Foreign Drafts to Collect Register, and is allowed to stand there (without entering into the system of accounts) until the proceeds are received by the receiving cashier and the customers are credited.

A more elaborate process would be for the foreign bank to be debited in account, and a Suspense Account to be credited. If the foreign bank then send a draft on a London bank for the amount, less commission, the amount should be marked off in the Foreign Drafts to Collect Register, an entry being made in the Receiving Cashier's Register, and the customer credited with the amount received. At the same time, by docket, the Ledger Department would be advised to debit Suspense Account, and credit the foreign banker with the amount originally entered. If, as an alternative, the amount is left standing to the foreign bank's debit in account, on its acknowledgment Suspense Account will similarly be debited and the customer credited.

If a cheque or draft on a foreign bank is sold at once, the proceeds are immediately credited to the Customer's Account.

Summary and Daily Cash Agreements.—

Summarising, now, the cash transactions for the day, it is first of all necessary to balance the coin and notes. Each cashier will add his receipts to or deduct his payments of coin and notes from the balance with which he started, and should then find the resulting total agree with the amount in his till. Shortages or surpluses should be placed to a separate account in the General Ledger. Each one will then state his balance of coin and notes to the chief cashier for entry in the Coin and Notes Daily Balance Book.

COIN AND NOTES DAILY BALANCE BOOK.
"MONEY BOOK."
DECEMBER 28.

CASH AND CASH ARTICLES.

17

	/	Gold	Silver and Copper	Own Notes £5	Bank of England * Notes	Total	/	Gold	Silver and Copper	Own Notes £5	Bank of England * Notes	Total
		£ s d	£ s d	No.	£	£ s d		£ s d	£ s d	No.	£	£ s d
Balance last night	103	105 0 0	..	..	695	800 0 0	Paying Cashiers	73 0 0	5 2 6	106	20	638 2 6
Receiving							A-D and	..	..	..	..	..
Cashiers							E-G, &c.	..	..	..	..	..
A-D	2	112 10 0	17 5	4	25	158 7 5						
E-G, &c. ..												
Own Notes							Bank of England	..	..	..	25	25 0 0
authorised ..	42	..	..	400	..	2,000 0 0						
Bank of England	14	..	..	..	90	90 0 0	Balance at end			298	765	2,405 4 11
Notes received	14	..	10 0 0	..	..	10 0 0	of day ..	144 10 0	5 14 11	404	810	£3,058 7 5
Silver received								£217 10 0	£10 17 5			£2,405 4 11
To Balance ..	19	£444 10 0	£5 14 11	298	765	£2,405 4 11						

* For various denominations, see page 123.

(From a book kept like this a branch will supply the information referred to on page 98.)

The balances in the hands of all the cashiers must in total equal the balances shown in this book, and this can be shown by listing them. In an office where there are many cashiers, the chief cashier will keep his stock of coin and notes, and the various cashiers will at the end of each day hand him their receipts of coin and notes, except a sum of (say) £400, which will remain as a floating balance in their hands. The chief cashier will enter these receipts and any contra outgoings in a "Coin," "Stock," or "Bullion" Book.

The total of cheques, &c., received according to the several Cashiers' Registers is next listed in the "Waste Trial Book," and shown to be in agreement with the corresponding totals in the Cash Analysis Books and Head Office Branch Credits Register.

Finally, there is entered up a complete summary of the day's cash transactions in the

CASH BALANCE BOOK,
DECEMBER 28.

<i>Receipts</i>				<i>Payments</i>			
Receiving	<i>f</i>			Paying	<i>f</i>		
Cashiers				Cashiers			
A—D ..	3	10,993 11 9		A—D ..	5	15,549 2 11	
E—G, &c. ..			10,993 11 9	E—G, &c. ..			15,549 2 11
Bills due ..	27	90 7 6		Country Clear-	11		
Do. ..	22	160 4 0	250 11 6	ing to collect			9 14 3
Bills re-dis-				Bank of Eng-			
counted ..	28		4,979 3 7	land balance			
Bank of Eng-				due from			
land ..	14		100 0 0	Clearing ..	14		1,330 4 8
Own Notes ..	42		2,000 0 0				
Branch Credit							
Register ..	84		174 0 0				
H.O. Do. ..	87		26 0 0				
	103		18,523 6 10		103		16,889 1 10
Cash Balance				Cash Balance			
in Morning ..	105		800 0 0	at close—			
				Coin and			
				Notes as			
				per Book..	17	2,405 4 11	
				Walk Cheque			
				to collect..	11	17 0 1	
Country Clear-				Cheque to			
in to pay ..	11	84 4 5		present at			
				Clearing ..	11	12 0 0	
		<i>f</i> 86					2,434 5 0
			£19,323 6 10				£19,323 6 10

“On the Balance.”—

The daily grand total of cash received and paid will be entered from this book into the Daily Summary Book (page 103). The agreement of this statement with the cash balance and the various registers constitutes the daily work, known as being “on the balance.” The above is the final form, but as the inclusion of all cheques presented to it by other banks at the Clearing House could not be made till a late hour, and would thus postpone the balancing of the day’s transactions, a preliminary statement is generally prepared, from which all these cheques are omitted. The omission does not affect the arithmetical accuracy of the balance, for their total is a credit to clearing, and the individual amounts are debits to current, &c., accounts.

BULLION.

(Note that this has no connection with the Bullion Book referred to on page 18.)

This does not often figure as an asset in a London bank's books. Generally, it is sold by the London office of a bank having a branch in a mining district at once to the Bank of England, or through a broker. If the local branch has advanced against the bullion, it is an ordinary advance against consignment (see page 34). If, however, the branch has bought the bullion, it will require a Bullion Account. After assay the bullion received will be entered in a Bullion Register, showing Date, Particulars of Purchase, Price per oz., Cost to Bank.

If cash is paid for it to the seller the paying cashier will be authorised to enter the payment as a purchase of bullion (being the same amount as will appear under the heading "Cost to Bank" in Bullion Register).

If the seller wishes the amount placed to the credit of his account, a docket will be passed for entry in the Current Accounts Credit Analysis Book. At a convenient opportunity the bullion will be sold, when the Bullion Register will record the sale, a docket being passed for entry to the Branch or in the Current Accounts Debit Analysis Book, according as it is sent to a branch or sold to a customer. These dockets pass to the Ledger Department for debit (if a purchase), and credit (if a sale) to a Bullion Account. Generally, this account shows a small excess of sale over cost price, which profit is, at the closing date, written off to Profit and Loss Account.

BILLS OF EXCHANGE : RECEIVABLE.

(Sometimes called Bills remitted or Collected bills, the Contra Account—described below as Bills for Collection Suspense Account—being then called Bills for collection.)

The amount of bills in circulation is generally believed to be diminishing, owing to the use of cheques and the desire to save the cash discount.

The rule regulating the prices of foreign bills is that the greater the supply of bills drawn on London the more the exchange is against London, and the greater the demand for bills on London the more the exchange is for London. Full explanation will be found in Geo. Clare's "A B C of the Foreign Exchanges."

In many banks, bills received at the branches are held by the Head Office until maturity.

Bills for Collection: Inland.—

"BILLS DEPOSITED"—"BILLS LODGED"—"SHORT BILLS."

A customer who has received a bill from a client to whom he has sold goods will, a few days before it matures, send it, with a slip, to his bank to present for payment on its due date. Where the customer has large dealings in bills, the bills will be left with the bank several days before maturity, so as to give it time to sort and list them in anticipation of presentment at the Clearing House.

On receiving the bills, they are numbered consecutively and entered in a

BILLS RECEIVED FOR COLLECTION REGISTER.

"SHORT BILL BOOK"—"DEPOSIT BILL JOURNAL."

Date received	No.	Name of Sender	Drawer	Acceptor	Date drawn	Due Date	Where payable	Amount	Date paid
Dec. 1	570	T. Dixon	R. Turner	C. Short ..	Sept. 25	Dec. 28	London Joint	£ 160 4 0 s d	Dec. 28
Dec. 28	751	T. Dixon	A. Adams	C. Henderson	Oct. 6	Jan. 9	London Joint	f 105 84 2 0 f 103	

(From a book kept like this, a branch will supply the information referred to on page 98.)

Bills payable at a bank's branches may be entered, being debited to the branch as sent forward for collection.

Some traders, in order not to have any complication of exchange in their books, will draw on a foreign purchaser in sterling, the rate of exchange being fixed by the first endorser. Such bills will be entered at their sterling value.

If the bank desires to have very full information as to the business conducted by its customer, it will then have the bills entered in a Bills for Collection Ledger ("Bill Ledger," or "Short Bill Ledger") exactly similar to the Bills received for Discount Ledger (see page 26). The bills will be sorted according to due date and entered in a

BILL DIARY.

"BILL JOURNAL."—"SHORT BILL DIARY."

DEC. 28 (due date)				JAN. 9 (due date)			
Date received	No.	f	Amount	Date received	No.	f	Amount
Dec. 1	570	11	£160 4 0 f 19 & 103	Dec. 28	751		£84 2 0

(The total of the bills shown as not matured in this book will agree with the Bills for Collection Account in the General Ledger.)

Then they are put away in cases arranged in the order of their due date, and according to the locality where they are payable.

To complete the double-entry, the paying-in slip for £84 2s. should be passed for credit to a Bills for Collection Suspense Account, *f* 103.

Collection at Maturity.—

On the afternoon of the day previous to the due date the bills are marked off against the Bill Diary, and sent to the Clearing House for payment next morning. At the same time a docket is prepared from which the Clearing Department is debited and Bills for Collection credited. Again, to complete the double-entry for such bills as are paid, other dockets would be prepared from which Bills for Collection Suspense Account is debited (*e.g.*, with £160 4s. *f* 103), and credit is passed to the accounts of the various customers through the Current Accounts Credit Analysis Book (see page 64). The "Out"-Clearing Book (less the Returns) will supply the information. If the Bills for Collection Ledger, referred to above, is kept, each bill will also require to be marked off there. The Clearing Department is credited if a bill is returned unpaid, and it is forthwith returned to the customer, any incidental expenses being also charged to his current account.

It may be observed that a Suspense Account can be dispensed with, and the same result obtained, by excluding the Bills Received for Collection Register from the system of accounts until the bills are paid. When this happens, the debit comes through the "out" clearing, and the customer's current account is credited by docket through the Current Accounts Credit

Analysis Book. As this is a more rapid method of record, it is largely adopted.

Bills payable in the country may be entered in a separate book at the time of their despatch for presentation at maturity.

Bills payable at private houses are usually collected by the Walks Department, which makes a charge for so doing. They are scarce.

If a bill is received from a branch or foreign agent with documents attached, the instructions as to the delivery of these have to be regarded, otherwise the procedure of collection is as above described. When received from abroad, English foreign-bill stamps must be attached before the bills can be paid here.

Bills for Collection: Foreign.—

If sold to foreign bankers, these bills may be dealt with as foreign cheques (see page 15). If sent for collection, the alternative method there described may be employed, but it must be remembered that for interest the debit only runs against the agent from the date of maturity of the bill.

For the negotiating bank, there is a liability on these bills as endorser, until they are met by the acceptor at maturity.

Bills Discounted: Inland.—

It frequently happens that a customer finds it convenient or economical to anticipate the realisation of bills that he holds. He can do so by endorsing them and then selling them to his bank, which will, after enquiry as to the *bona fides* of the transactions they represent, make payment of the balance at once, subject to the deduction of discount.

Information as to the position of the parties to the bill will be obtained from the Character Book (see page 39).

Having further agreed as to the rate of discount, and examined the bills to see that they are in order as to drawing, stamping, &c., the bank will give each bill a number, calculate the discount, and enter it in the Bills received for Discount Register.

BILLS RECEIVED FOR DISCOUNT REGISTER.
 "DISCOUNT REGISTER"—"DISCOUNT CASH BOOK."

Date Dis- counted	No.	Seller	Acceptor	Drawer	Where Payable	Date Drawn	Term	Due Date	f	Amount	Days to Run	Rate	Dis- count	How dis- posed of
Nov. 19	451	T. Dixon..	R. Smith..	J. Thomas	West Bank	June 25	6 ^m _d	Dec. 28		£ s d 90 7 6 / 105	39	4 ³ ₄	£ s d 0 9 2	Paid in
Nov. 30	490	J. Noaks ..	L. Simon..	J. Charles..	L. J. S.	Nov. 1	3 ^m _d	Feb. 4		5,000 0 0 / 105	66	4 ³ ₄	38 8 6	Re-dis- counted Dec. 28
Dec. 28	604	T. Dixon..	B. Coles ..	R. Tasker..	Parr ..	Nov. 2	4 ^m _d	Mch. 5	64	2,045 3 9 / 103	67	5	18 15 4 / 103	

(From a book kept like this, a branch supplies the information referred to on page 98.)

The bank, having become by purchase the owner of a bill, it is important to it to know that it is not advancing too much on the endorsement of the same person. To watch this, the bills are entered in a

BILLS RECEIVED FOR DISCOUNT LEDGER.

"DISCOUNT LEDGER"—"BILL LEDGER."

T. DIXON.—Name of Customer.

Date Received	No.	Acceptor	A.L. f	Drawer	Term	Due Date	Amount Dr.	Amount Cr.	Balance
Nov. 19	451	R. Smith		J. Thomas	6 ^m d	Dec. 28	£ s d 90 7 6	£ s d	£ s d 90 7 6
Dec. 29	..	Returned		unpaid		..	..	90 7 6	..

The credit in the case of J. Noaks will read "Re-discounted," and in that of T. Dixon, £2,045 3s. 9d. (assuming it to be paid at maturity) "By Cash." The total of the balances on this book will be equal to the balance on Bills Discounted Account in the General Ledger. So also will the total of the unmatured bills in the Bills Discounted Diary.

In addition, banks will enter the bills in a similar book—Acceptors' Ledger—but substituting the name of the acceptor for that of the customer in order to keep themselves informed of the amount they hold of one person's acceptances, and a column for name of customer in place of that for acceptor. The possession of books such as this has enabled London banks to charge on acceptances of the City of Glasgow Bank $\frac{1}{4}$ to $\frac{1}{2}$ per cent. over the market rate of bank bills. A still further extension can be made by entering the bills under the name of the drawer.

In addition to knowing the character of the parties and the amount of their acceptances that it holds, the bank must also

see that the bills are presented when due. To ensure this, they are entered under their due date in a

BILLS DISCOUNTED DIARY.

"DAILY LISTS."

DECEMBER 28 (due date).

Date Received	No.	f	Amount	How Disposed of
Nov. 21	451	11	$\begin{array}{r} \text{£} \quad \text{s} \quad \text{d} \\ 90 \quad 7 \quad 6 \\ \text{f} \quad 19 \text{ \& } 103 \end{array}$	Paid in

In the meantime, the slip presented by the customer with the bills—the amount of discount having been noted therein—will pass to the Ledger Department, which enters the total amount of each parcel of bills in the Current Accounts Credit Analysis Book, and the total amount of discount thereon in the Current Accounts Debit Analysis Book. The daily total of discount charged is credited to Discount Account in the Profit and Loss Ledger.

Collection at Maturity.—

At maturity the bills are realised in the manner already described for bills for collection (see page 23).

Bills returned unpaid are listed in a Past Due Bills Book (see page 29) and debited to the customer, if possible; if not, they are put to an Unpaid Bills Account and proceedings taken on them.

In the former case, the bills are returned to the customer at once; in the latter, notice of dishonour is given to all parties liable on them.

Bills Discounted: Foreign.—

The bills will be entered in a Foreign Bills Purchased Register and otherwise treated as inland bills discounted

described above, except that the sellers will be credited with the net amount that the bills realise. The amount of their foreign currency will be placed against them, and their total will be debited daily to a Foreign Bills Receivable Account at the net amount for which they are purchased. At maturity, or when sold or forwarded to an agent, the sum realised in sterling is credited to this account, the cashier or the agent being debited. At the closing date the bills remaining on hand are valued at the rate of exchange then ruling. The difference between the total so resulting and the balance on the account is carried to Profit and Loss Account as a profit or loss on exchange.

Re-discounting.—

Thus far it has been assumed that the bills in hand are duly paid at maturity, but there are other methods by which bills may be withdrawn from the possession of the bank.

The great London banks do not re-discount London bills. To do so would injure their credit. No such practice applies to foreign bills in the London market. If, however, a discount house or a bank desire to sell bills it has purchased, it may do so on the market or remit them to an agent to strengthen its balance with them. In either case, a statement of the bills sold, with the discount deducted, is prepared, which, after being press-copied, will be sent to the buyer. At the same time an entry will be made in a

RE-DISCOUNT AND SOLD BILL REGISTER.

"SOLD BILL REGISTER."

Date	Date Received	No.	Buyer	Amount	Due	Days to run	Rate	Discount	f	Net Amount
Dec. 28	Nov. 30	490	J. Allen	5,000 0 0 f 103	Feb. 4	38	4%	£ s d 20 16 5 f 103	11	4,679 3 7 f 19

A docket, showing the gross amount less the discount, will be passed to the Current Accounts Debit Analysis Book for entry to the buyer's debit. A separate docket, or a reference to the Press Copy Book, advises the necessary entries in the other Bill Books. In the example, cash is assumed to be received at once.

The bank remains contingently liable on the bills it has sold until they are paid by the acceptor at maturity.

Retiring.—

The acceptor will sometimes pay under discount a bill before it is due. The procedure is the same as if the bill had been sold, but the entry in the Sold Bill Register should state that the bill was "retired."

Returned Unpaid.—PAST DUE—OVERDUE BILLS.

Discounted bills when returned unpaid are entered in a Returned Bill Register ("Take-up Book") showing From whom received, Amount, Charges, Interest, When paid, To whom returned. In example *f*64 £90 7s. 6d.

*f*5

Lost Bills.—

If a bill is lost, the acceptor, drawer, and endorsers should be advised, and a description of it circulated among bill brokers, &c. The acceptors should be asked for payment at maturity, under an indemnity which should also be offered to the drawer.

INVESTMENTS.

The securities which are assets to a bank are of two classes:

Those it holds as cover for advances made by it, and

Those it holds for its own account.

Securities held against Advances.—

An English banker who wants money will call in his loans at call; a foreign banker will sell the bills he holds.

Loans to Bill Brokers and to other Banks.—MONEY AT CALL.

These are generally at call—*i.e.*, repayable at any moment.

A bill broker buys bills from wherever he can get them. To provide the means he borrows from the bank, and deposits the bills as security collateral to his guarantee to repay the loan. It is part of his business to know the financial standing of those whose bills he buys, and banks are generally willing to pay him a small extra rate per cent. to have the benefit of this experience. On bills of first-class houses the margin expected is a nominal one. The bill broker generally makes up his bills in parcels of £5,000 or £10,000, noting the individual amounts on the outside wrapper, with (say) a margin of £100 or thereabout. It is convenient that the bills in each parcel should mature about the same date.

On the broker presenting the bills, the bank examines them, and, if found satisfactory, makes a loan against them, the entry being recorded in the

BILL BROKERS' LOAN REGISTER.
"LOANS CASH BOOK."

Date	Name	f	Amount	Rate	Date paid off
Dec. 28	Bell & Co.	10	£ s d 5,000 0 0 f 103	3½	

If the broker has an account at the bank, a docket is passed for the entry of a corresponding amount to his credit in the Current Accounts Credit Analysis Book. If not, he receives a cheque, which is entered to the credit of Cash through the "In" Clearing Register.

If loans are called in or reduced, the reverse takes place: the Loan Register is marked off, and the cheque received entered and collected as an ordinary cheque.

Loans are also made on FLOATERS—*i.e.*, Exchequer Bonds, Consol certificates to bearer, or other sterling securities transferable by delivery and guaranteed by the British or Indian Government, the London County Council, or the Corporation of the City of London.

The Loan Department may enter in a Loans Diary the totals of the various parcels of bills, &c., lodged. The bill broker frequently changes one parcel for another. These changes can also be there recorded in the Diary, but no detail need be recorded as to the contents of the parcels.

From the Loan Register, an entry will be made in the Loan Ledger (or some equivalent record). In this book the broker will be debited with the loans made to him, and credited with those he repays.

It must be remembered that as the bills are held as cover, not they but the amount of the loan figures in the Balance Sheet.

Interest is paid at agreed dates by cheque, or direct debit to Current Account, the credit passing to Interest Account.

Loans to Stockbrokers.—MONEY AT SHORT NOTICE.

These are generally from "Account to Account"—*i.e.*, from one Stock Exchange settling day to the next. The settling day in Consols is once a month, about the 3rd; that in other stocks twice a month, about the 16th and the 30th.

The broker lodges his securities, together with a list valuing them at the "make-up price"; the bank inspects the list,

arranges that there shall be a margin of (say) 15 per cent. to cover possible market fluctuations during the account, and that, in the event of the margin "running off," additional stock will be deposited to re-create it. The rate of interest is also arranged. These various conditions are usually recorded in a Memorandum of Deposit signed by the broker.

The bank need not enquire if the stockbroker is the owner of the securities he offers to deposit, see *London Joint Stock Bank v. Simmons*.

Fully paid-up stocks and shares other than those to bearer are generally transferred into the names of the bank's nominees, but for registered securities blank transfers are often signed. It is usual for a bank to keep a special register of securities standing in the names of its nominees. The dividends, &c., on the securities deposited belong to, and are, where practicable, collected by the stockbroker.

The loan is entered in a

STOCKBROKERS' LOAN REGISTER.

"LOANS CASH BOOK."

Date	Name	f	Amount	Rate	Date paid off
Dec. 28	Holls & Co.	10	<div style="display: flex; justify-content: space-between; align-items: center;"> <div>£</div> <div>3,000</div> <div>s d</div> </div> <div style="display: flex; justify-content: space-between; align-items: center;"> <div></div> <div>0 0</div> <div></div> </div> <div style="display: flex; justify-content: space-between; align-items: center;"> <div>f 103</div> <div></div> <div></div> </div>	3½	

If the broker has an account at the bank, a docket is passed for the entry of a corresponding amount to his credit through the Current Accounts Credit Analysis Book. If not, he receives a cheque which is entered to the credit of Cash through the "In" Clearing Register.

If loans are called in or reduced, the reverse takes place: the Loan Register is marked off, and the cheque received is entered and collected as an ordinary cheque.

Stockbrokers have frequent occasion to change the securities they deposit. These changes must be acceptable to the bank, and, to record them, entries are made in a

STOCKBROKERS' SECURITIES REGISTER.

HOLLS & Co. (Name of Stockbroker)

Date deposited	Name of Stock*	Nominal Amount	Date withdrawn	Signature of Broker's Clerk
Dec. 28	Can. Pac. Railway 4 % Pref. North Brit. Railway 4 % Pref. Buenos Ayres Western Railway—Ordinary Stock ..	£1,150 £1,100 £1,000		

* Assuming the make-up price of these securities to be 103, 118, and 112 respectively, the "margin" lodged on the £3,000 loan will be £602.

From the Loan Register an entry will be made in the Loan Ledger (or some equivalent record). In this book the stockbroker will be debited with the loans made to him, and credited with those he repays.

Interest is paid at agreed dates by cheque, or direct debit to current account, the credit passing to Interest Account.

Advances on Consignments.—

Another form of loan is that of advances on consignments. The method is for the bank to advance to the consignor an amount not exceeding (say) two-thirds, or at most 80 per cent., of the invoice price of the goods shipped. The bills of exchange drawn on the purchaser of the goods and made payable to the bank, its agent, or a branch, together with the shipping documents and invoices, are lodged as security. By first mail the bank will send these to the agent or branch, with

instructions either to deliver the documents up on acceptance of the bill, or against dock warrants, or at maturity.

An entry will be made in an

ADVANCES ON CONSIGNMENT REGISTER.

Date	Bill No.	Branch	Cor signor	Acceptor	Address and Marks	Amount of Bill	f	f	Advance	Rate per cent.	Date of payment
Dec. 28	1,491	Newcastle N.S.W.	C.Binns	J. Crerar	Newcastle N.S.W.	£2,100	34	47	£ s d 1,370 0 0 f 105	4½	

(From a book kept like this, a branch supplies the information referred to on page 98.)

An account will also be opened in a

CONSIGNMENT LEDGER.

C. BINNS (Consignor)

4½%.

Date	Bill		Payable at	f	Advance made	Days till payment	Date of payment	Amount realised
	No.	Amount						
Dec. 28	1,491	£ s d 2,100 0 0	Newcastle N.S.W.	34	£ s d 1,370 0 0			

When the agent or branch advises the due receipt of the amount of the bill, the date is entered in the Advances on Consignment Register, and the amount realised is credited in the Consignment Ledger. At the same time, the account is debited

with interest on the advance for the whole period and a cheque is given to the customer for the balance, accompanied by a statement of account of the transaction. The interest entries may be summarised and passed in total for entry to the credit of Interest Account, and the amount that the bill has realised will be passed by docket to the Branch Department for debit to the Branch.

Loans to Customers.—

When a customer desires to borrow from a bank, he gives it such information as is asked for regarding the use for the money, the security to be given, the length of time for which the loan is required, and any other relevant matters. If the loan be granted, the records necessary to be made will vary according as it is a London or country bank which makes the loan.

The General Country Practice.—

A country bank allows its customer to overdraw his account, and, for the guidance of the Ledger clerk, places a memorandum at the head of the Ledger Account stating the limit (debit) which the account must not exceed. No special bookkeeping entry then is required. In such cases the loan is considered as constantly renewed, the oldest credit being held to settle the oldest debit (*Clayton's case*). It follows from this that to maintain a customer as a debtor on the books, no more amounts must be allowed to come to his credit, but to obviate this, the memorandum of deposit, guarantee, &c., should cover all advances made "from time to time." Compare *Rouse v. The Bradford Banking Company*.

The London practice is now gaining vogue.

The General London Practice.—

London banks, on the other hand, generally require a Customer's Current Account to be in credit. If a loan is granted, an entry is made in a

CUSTOMERS' LOAN REGISTER.

Date	Name	f	f	Amounts Loaned	Rate	Date repayable	Amounts Repaid
Dec. 28	J. Bean	36	66	£ s d 1,500 0 0	4½	Jan. 10	£ s d
				f 103			

(From a book kept like this, a branch supplies the information referred to on page 98).

A docket is at the same time prepared--

Dr. J. BEAN, Loan Account £1,500
 Cr. J. BEAN, Current Account
 Rate 4½.

and passed for entry in the Current Accounts Credit Analysis Book. Against the credit so placed to his Current Account, the customer draws in the ordinary way. If he require more accommodation, a further entry debiting Loan Account and crediting Current Account is made. The Loan Department enters the loan in a

CUSTOMERS' LOAN LEDGER.

J. BEAN.

Dr.				Cr.			Interest				
Date	f	Description of Security	Rate	Amount Loaned	Date	f	Amount repaid	Balance	Date	No. of Days	Amount
Dec. 28	36	Mortgage	4½	£ s d 1,500 0 0				£ 1,500	Dec. 31	3	£ s d 0 11 2

It will be noticed that the London method is beneficial to the bank in two ways. It saves time by placing all the Loan Accounts together in one place, instead of mixing them with Current Accounts showing credit balances; and it also enables the bank to charge its customer with interest on the full amount of the loan, even while there is a considerable credit balance on his Current Account.

London rates generally fluctuate with the Bank rate, being, say, 1 per cent. over it, with a minimum of 4 per cent.

Loans are granted on all sorts of security. Very much of the art of banking lies in accepting only the most realisable. The particulars of the security accepted is entered by the Security Department in a

CUSTOMERS' LOAN SECURITY REGISTER.

"SECURITY BOOK."

J. BEAN (Name of Customer).

Date	Loan	Rate	Particulars of Security	Date returned	Signature
Dec. 28	£ 1,500 s 0 d 0*	4½	Mortgage on Freehold Property at Edgware		

B. EDEN.—(See p. 60.)

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* London practice.

It is often found convenient to keep together in one Register a record of *all* customers' securities held, except those of brokers, in which case columns for "Loan" and "Rate" are omitted (see page 76).

To the security is attached the letter of hypothecation, or equitable charge, signed by the customer, who undertakes therein to do whatever is necessary if the bank desire to realise, and charges the property represented by the documents with the amount of the loan. Fully-paid stocks and shares should be transferred into the names of the bank's nominees, though blank transfers are often accepted where possible. Separate Registers may be kept for recording full particulars of advances on the security of Bills of Lading, Dock Warrants, &c.

The loan is paid off either by the customer paying in a cheque, when the receiving cashier passes the accompanying slip to the Loan Department, which enters the amount in the Customers' Loan Register and credits the same in the Customers' Loan Ledger. If the loan is paid off by transfer from Current Account, the practice is for the customer to authorise the bank to transfer the amount, in which case the authority, after entry in the Current Accounts Debit Analysis Book, passes to the Loan Department for treatment as above. At the same time the securities are returned and marked off in the Customers' Loans Security Register, unless the customer is frequently requiring loans, when, to save expense of transfer, the securities may well be allowed to remain registered in the name of the bank's nominees.

Every loan which is repayable at a fixed date (and no bank desires a loan that has not a definite term to it) is entered in a *Loans Diary* under its due date. By this means the bank is kept informed of the amount falling due day by day. Generally the loan will be renewed if the customer desires.

Interest is paid at agreed dates by cheque, or direct debit to Current Account, the credit passing to Interest Account.

Loans on Personal Guarantee.—“CASH CREDITS.”

Special mention may be made of the practice, in vogue more largely in Scotland than in England, of making loans on the security of guarantees,* and also of the Irish practice of taking promissory notes signed by persons of substance. Although not an ideal banker's security it has, if judiciously used, many merits, not the least of which is that it greatly stimulates private enterprise by making it possible for those with ability but no credit to carry on business. The particulars which it is necessary to record can generally be written in the Customers' Loans Security Register. If there are many, it will be well to index the names of guarantors and guaranteed, so that the bank may limit the amount of guarantee it accepts from any man. That limit will be fixed after consulting

INFORMATION BOOKS.

“CHARACTER BOOKS”—“REFERENCE BOOKS”—“INSPECTION BOOKS.”

These should afford very complete information as to the status of any person on whose signature a bank may be asked to afford accommodation. The most usual sources of information are—

- (1) The bank's own records.
- (2) The records of other banks, for bankers will exchange confidentially information as to their customers.
- (3) The information collected by enquiry bureaux—such as Stubbs, Seyd, Schimmelpfennig, Bradstreet, &c.

* A continuing guarantee runs from the date of each entry (see *Parr v. Yates*).

Securities held for own Account.—

A bank buys investments through a stockbroker, paying by cheque or crediting the broker's account. The particulars of the purchase will be entered in an

INVESTMENT LEDGER.
National War Loan $2\frac{1}{2}$ %.—Bearer Bonds.

Date purchased	Nominal value	Price	f	Cost	Dividends due	Date Sold	f	Nominal Value	Price	Realised	Dividends received
Dec. 28	£4,500 (Per Ram & Co.)	97	10	£ s d 4,341 16 6	£ s d 28 4 6*						
" 31	Interest to date ..	..	69	..	1 0 4						
					£29 4 10						
				f 03	f 103 & 106						

* This amount is so much of the purchase price as represents the dividend accrued to date from October 5—one quarter less 8 days.

If purchases and sales are frequent, Investments Purchased and Investments Sold Registers will be kept, but otherwise the entry may be made in the Paying and Receiving Cashier's Cash Articles Analysis Book. A country bank will probably pay through its London agent for stock purchased.

The Security Department will receive the certificates of title, and enter the same in a Security Register. It is useful to point out that while a bank registered as a limited company may make advances on the security of its own shares, it may not buy or sell them for its own account (see *Trevor v. Whitworth*).

BANK PREMISES, FIXTURES, &C.

Separate subsidiary books of account are not generally necessary to record these assets. It may, however, happen that where a bank possesses many freehold and leasehold properties it will record the cost of each in a small

BANK PREMISES LEDGER.

Bank premises, even if situate in the best localities, are unrealisable assets in any event but removal or liquidation. It is not infrequent then for banks to follow the example of the Bank of England, which, in its Balance Sheet, places no value on its land and buildings. Even where the opening of many branches has made this policy immediately impossible of complete execution, yet it is recognised as sound, and most banks write liberally off their Bank Premises Account. The manner of doing so, and of providing for depreciation of leases, also of recording the rents collected from the bank's tenants is dealt with at pages 70 and 81.

The deeds of the properties will be entered in a Security Register by the Security Department.

For the purpose of the accounts running through this book, the bank is assumed to possess

Bank Premises, Furniture, &c. .. £5,800 *f* 105.

Assuming this to include the premises at Thame, the Head Office should charge that branch with the rent, say, £50 (page 86), taking the same amount to the credit of its Rents Account.

CHAPTER II.

SUBSIDIARY BOOKS RECORDING LIABILITIES.*

OWN BANK NOTES.

Liability for Repayment.—

A BANK NOTE is not merely repayable on demand, but it is payable to the bearer—that is, to anyone. The shareholders in a bank with limited liability are liable to the extent of the notes in circulation, in addition to the amount unpaid on the shares they hold, should the latter amount be insufficient to pay the bank's creditors. (Companies Act, 1879, Section 6.) The partners in a private bank are liable to the extent of their whole estate.

No bank having an office within sixty-five miles from London may issue notes payable on demand, except the Bank of England. (Banking Partnerships Act, 7 Geo. IV., c. 46, s. 19.)

A country bank on issuing its notes enters their numbers singly in a

NOTE REGISTER.

Date	<i>f</i>	Amount
Dec. 28	17	£2,000
		<i>f</i> 103 & 19

The date of issue is that on which they are signed by the manager or cashier, not that on which they leave the bank.

* The liabilities are arranged in the probable order in which they are subject to immediate repayments.

They are passed to the cashier, who enters them in the Coin and Notes Daily Balance Book, and pays them out as occasion offers. The occasion for a new issue being rare, the only other record will, probably, be in the Daily Summary Book (see page 103) for credit to Notes Issued Account.

Differing Practice as to Re-Issue.—

It has been mentioned on page 14 that London banks and the Bank of England do not re-issue the latter's notes. A country banker, however, re-issues his own notes as they are returned to him, and does not cancel any until he finds he has more on hand than he requires, or they may have become too old and dirty for circulation. The date of cancellation is marked in the Note Register against the numbers of the notes cancelled, and the notes can then be destroyed.

The total nominal value of the notes cancelled will be entered in the Paying Cashier's Register, and through the Daily Summary Book a debit will pass to the Notes Issued Account.

The total value of the notes not marked off in the Note Register will always be the same as the balance on the Notes Issued Account.

Notes in Circulation.—

To ascertain the true amount of the bank's own notes in circulation at any moment, the amount of the notes in the cashier's hands must be deducted from the balance on the Notes Issued Account. That this deduction was not made was one of the points of indictment against the Dumbell Bank officials. The result of omitting to do so is to show that the bank has a larger cash balance than it really has, but its apparent liability on notes in circulation is correspondingly increased.

Weekly Return to Government.—

By the Bank Charter Act, 7 & 8 Vict., c. 32, s. 18, every bank that issues notes is required to send weekly a statement of its notes in circulation to the Commissioners of Stamps and Taxes. The circulation for each day of the week, ending Saturday, must be given, and the total divided by six to give the daily average; and the declaration as to its truth contained in Schedule B of the Act must be signed at the end of every period of four weeks.

A statement is required of Scotch banks that issue notes, showing whether their circulation is above the limit fixed by 8 & 9 Vict., c. 38 (1845). If it is, it must not exceed the gold and silver coin at the principal place of issue.

CURRENT ACCOUNTS.

“DRAWING ACCOUNTS.”—“CUSTOMERS’ ACCOUNTS.”

In London, for the reasons explained on page 35, Current Accounts are nearly always in credit; in the country they may be in debit or credit. When they are in debit they are loans, and as such are dealt with on page 35.

With reference to those in credit (which form the majority of Current Accounts), their number is so large that considerable division of the Current Accounts Ledger is necessary to enable every account to be kept up daily. It is possible that one account may be so active as to require a Ledger to itself, and that a single class of accounts may be formed into a separate department. Any special matters, such as the minimum balance allowed, should be noted at the head of the account.

Credits to Accounts.—

On page 1 the recording of the money received was stated. It is now necessary to trace its credit to the Customer's Account. The paying-in slip (or a separate docket) is passed by the receiving cashier to the Ledger Department, where the name and amount is entered in a Current Accounts Credit Analysis Book.

CURRENT ACCOUNTS CREDIT ANALYSIS BOOK.

"SECTIONAL CASH BOOK."—"CHECK LEDGER."

Name	* Description	f	A to Be	Bi to C	D and E
			£ s d	£ s d	£ s d
T. Dixon ..	Cash	64	..	..	10,440 3 9
J. Brown ..	Cash	47	..	12 0 0	
T. Dixon ..	Bill collected ..	64	..	..	160 4 0
Do. ..	Bills discounted ..	64	..	..	2,045 3 9
	(and see next page.)				
C. Binns ..	Consignment ..	47	..	1,370 0 0	
J. Bean ..	Loan	66	1,500 0 0		
J. Brown ..	Branch	47	..	25 0 0	
Do. ..	Security.. ..	47	..	1,992 11 0	
			1,500 0 0	3,399 11 0	12,645 11 6
			Grand Total		£17,545 2 6
					f 103

* This column is often omitted.

(In the example one cashier is assumed to receive for three Ledgers; but he may, naturally, receive for more or less.)

The slip then passes for entry to the credit of the Customer's Account in the Current Account Ledger; in doing so the Ledger folio is placed on the slip.

Debits to Accounts.—

Similarly, as regards moneys paid, the paying cashier or the Clearing Department passes the cheque presented for entry in a

CURRENT ACCOUNTS DEBIT ANALYSIS BOOK.

"SECTIONAL CASH BOOK."—"CHECK LEDGER."

Name	* Description	f	A to Be	Bi to C	D and E
			£ s d	£ s d	£ s d
B. Eden ..	Cash	67			558 0 0
J. Brown ..	House Cheque ..	47		41 8 5	
T. Dixon ..	Returned Bill ..				90 7 6
Do. ..	Charges thereon ..				0 2 6
Do. ..	Discount on Bills ..				18 15 4
	£2,045 3s. 9d. ..	64			
Do. ..	Deposit				9,000 0 0
Do. ..	Bank Charges ..				0 0 3
C. Binns ..	Letter of Credit ..	47		100 0 0	
Do. ..	Clearing	47		704 12 3	
J. Bean ..	Do.	66	1,209 8 4		
T. Dixon ..	Security	64			1,995 1 0
			1,209 8 4	846 0 8	11,662 6 7
			Grand Total		£13,717 15 7
					f 103

The cheque then passes for entry to the debit of the Customer's Account in the

"Current Accounts Ledger."—

By adding up the total credit and the total debit as shown in each column in the above two books, it is possible to agree each Current Accounts Ledger separately, and these books, therefore, act as a "Check Ledger" on the Current Accounts Ledgers. Further, the grand total of all the balances in the Current Accounts Ledger must be equal to the balance on the Current Accounts Ledger Account in the General Ledger. That this is so, is tested at very frequent intervals by extracting a list of the balances on the various Current Accounts.

Forms of Ledgers in use.—

The forms of Ledger most commonly found in use in London are—

* This Column is often omitted.

FORM A.—

		C. BINNS.		Dr.	Cr.	Balance
July 1	By Balance	..	..	..	..	£ s d
Dec. 28	" Advance	..	..	..	..	157 9 8
"	To Letter Credit	..	..	..	..	1,370 0 0
"	" B. Acc—Cash	..	..	..	..	722 17 5
31	" Balance	..	..	..	..	722 17 5
				£ 1,527 9 8	£ 1,527 9 8	
Jan. 1	By Balance	..	..	..	..	722 17 5

FORM. B.—

Dr.		J. BROWN.				Cr.			
		f	£	s	d	f	£	s	d
Dec. 28	To Cash—					Dec. 28	By Thame	85	25 0 0
	T. Dixon	5	41	8	5		" Cash ..	3	12 0 0
31	" Balance						" Sale of		
							Stock	74	1,992 11 0

Form "A" is useful, because it shows more readily the progress of an account, and the fluctuations in the balance due to the customer.

In Form "B" the labour of constantly showing the balances on an account is met by showing none at all. The account has to be added up *Dr.* and *Cr.* before the balance at any moment can be ascertained.

The form of Ledger* commonly found in the country shows—

Date.	Particulars.	Debits.	Credits.	Description of Balance.	Days.	Interest Numbers.†
				Balance.		Debtor. Creditor.
				(Dr.) or (Cr.)		

* Its use is illustrated on page 67.

† Interest products.

As is at once seen, its chief utility is to calculate the interest on the face of the books. Particular care is required to see that the balance is correctly described—either as *Dr.* or *Cr.*—in the column in front of the balance.

The rate of interest on a debit balance is naturally greater than on a credit.

As to the certification of the customer's balance direct to him, see page 113.

LODGMENTS.

Advantages.—

Partaking somewhat of the nature both of Current Accounts and of Deposit Accounts properly so-called, are what are known to many country banks as lodgments. A Lodgment Account to them is a deposit, for which, in place of a receipt, a Pass Book is given, in which amounts received are credited and withdrawals debited. The customer is allowed to pay in as often as he likes (though some banks state a maximum number of times per annum), and he may be permitted to draw out by cheque. Some banks do not allow this, arguing that, as they allow a higher interest on a Lodgment Account than on a Current Account, they must not be liable to the trouble and expense of having to deal with many small cheques, and they insist on the customer in person coming to withdraw money. By so doing their account-keeping is much reduced, and they are more secure against unexpected withdrawals.

The form of a Lodgment Ledger is similar to that of Current Account Ledger (Form C), and interest is reckoned in the same way. If the number of such transactions is sufficiently great,

there may be a lodgment cashier; but, if not, the cashiers receive and pay lodgments, and the credits and debits pass through a Lodgment column in the Current Accounts Credit and Debit Analysis Books to the Lodgment Ledger.

DEPOSITS.

"INTEREST RECEIPTS."

Deposits are amounts received for a stipulated period which may be fixed in different ways, *e.g.*, for six weeks, for any time subject to seven days' notice. The rate of interest allowed will vary according to the length of the period and the notice, and also with the Bank rate. It is more customary with country banks to issue receipts than with London ones. Where additions and withdrawals are numerous, the "without receipt" method is usual, and separate books can be kept to distinguish them from "with receipt deposits."

By Issue of Receipts.—

The country bank will enter the receipt of the money in its Deposit* Receiving Cashier's Cash Register, and a receipt will be made out from a Counterfoil Deposit Receipt Book. The paying-in slip will be passed for entry in a

DEPOSITS RECEIVED REGISTER.

"DEPOSIT DIARY."

Date received	Name	Rate	f	Amount Deposited	Due date	Date repaid

* Assuming deposit transactions to be sufficiently numerous to require a separate Cashier.

(From a book kept like this a branch will supply the information referred to on page 98.)

On withdrawal, the amounts will be marked off, and also entered in the Deposit Paying Cash Register.

The objection urged against this system is that whenever the deposit is partly withdrawn, or the interest is paid, a new receipt should be prepared, and the old one surrendered by the customer duly receipted, the amount of the old receipt being entered in the Deposit Paying Register, and the new receipt in the Receiving Register. As these two books are usually kept by the same cashier, it will be unnecessary to make adjusting entries, where a partial withdrawal takes place, in order that the till money may agree with the Deposit Receiving and Paying Registers.

A Ledger will be kept to record the changes in the deposits held for each customer, and the calculation and payment of the interest thereon.

Foreign and Colonial banks receive deposits after this manner; they accept them at a rate of interest generally higher than a bank which trades in the British Islands will pay.

By Transfer from another Account.—

Money is frequently placed on deposit by transfer from Current Account. A customer, finding he has more money on his Current Account than he needs, immediately instructs the bank to transfer a part of it to a Deposit Account, so that he may receive interest on the sum so set aside. Some banks will issue a receipt to the customer in such event, but the practice is not universal, and is not commendable if the receipt is not

required to be delivered up on the deposit being wholly or partially withdrawn. The entry will be made in a

TRANSFER TO DEPOSIT REGISTER.

Date	Name	f	f	Amount	Rate	Date due
Dec. 28	T. Dixon	64	51	£9,000 0 0 f 103	2½	Jan. 18

A docket will be prepared thus—

T. DIXON.

Dr. Current Account	£9,000
Cr. Deposit Account	

It passes to the Current Accounts Debit Analysis Book for entry to the debit of T. Dixon's Current Account.

The Deposit Department open an account for each customer in a

DEPOSIT LEDGER.

T. DIXON.

Date	f	Deposit (Cr.)	Withdrawals (Dr.)	Balance (Cr.)	Rate	Days	Interest	C/A f
Dec. 28	51	£9 000 0 0	..	£9 000 0 0	2½			
31		..	..	..	..	3	£1 17 0	64
							f 105	

Entries are made in this book direct from the Transfer to Deposit and the Deposits Transferred Registers.

Withdrawals'.—

The withdrawal of deposits will be recorded in the Deposit Paying Cashier's Cash Register and in the Deposits Paid

Register; or, if transferred back to Current Account, an entry is made in a Deposits Transferred Register, and a contra docket debiting Deposit Account and crediting Current Account is passed to the Current Accounts Credit Analysis Book for entry to the customer's credit. A diary will be kept to record deposits for a fixed period under their due dates.

Interest Calculations.—

Country banks do not often change the rate of interest they allow; London banks generally vary it with the Bank rate. As to the manner of calculation and credit to customer, see page 70. Where the bank credits the customer at every change of the rate an additional line will be required on the withdrawal docket referred to above, "*Dr.* Interest"; and an additional column for interest in the Deposits Transferred Register, the daily total of this interest being taken through the Daily Summary Book to debit of Interest Account. The same practice can be followed whenever a change occurs in the amount deposited.

BILLS OF EXCHANGE—PAYABLE.

A bank may become liable on a bill payable either by written acceptance on its own behalf, or on that of a customer, or by acting as an "in-case-of-need" party. In the latter case, an entry is only necessary on a bill being presented for payment, when the agent for whose honour the bill is paid is debited and the paying cashier credited.

London is so much the centre of the world's money market, and the great London banks are so universally known, that a foreign house in one place sending goods to another elsewhere will prefer to draw on a well-known London rather than on a

less-known foreign bank, as the negotiation of the bill is thereby made easier. The London bank, if it is satisfied as to the stability of the house for which it accepts, or if adequate security is lodged, will for a small consideration accept the bills. By so doing they become bank bills, and, therefore, a very safe security. As to drafts drawn by branches on London, see page 85.

Acceptance.—

On a bill being left for acceptance, it will be compared with the instructions received. These may be—

- (1) To accept the bills advised by a certain house without regard to "cover"; or
- (2) To accept certain bills advised by a customer or a branch.

In all cases particulars are given on the advice note as to the security to be lodged. This may be either—

- (1) The deposit of Bills of Lading, Dock Warrants, or documents of title to the merchandise against which the bills are drawn. (The mere fact of a bill stating that it is drawn against goods does not give the holder a lien on the goods: *Ex parte Dever; re Suse.*) The Policies of Insurance, and Invoices giving particulars as to the merchandise, will also be supplied.
- (2) Bills of other banks, charges on deposits at other banks.
- (3) The guarantee of substantial names.

Banks with a sufficiently large class of this acceptance business will enter all bills as advised in a Bills Advised Book, marking off the entry when the bill is presented for acceptance.

"After-date" Bills.—

Where the bills are drawn payable at, say, three months "after date" of drawing, and the day of maturity is therefore known even before the bank accepts, it is not unusual to find that they have gone into circulation without being accepted (of course, at the holder's risk). "After date" bills are therefore entered direct into the Bills Accepted Register.

The bill being accepted by the bank, it is entered in a

BILLS ACCEPTED REGISTER.

"DRAFTS REGISTER"—"ACCEPTANCE BOOK."

Date	For whose Account	Drawer	f	Amount	Due date	Security
Dec. 28	J. Brown ..	T. Mann ..	55	£ 1,570 8 4	Mar. 8	Pig Iron, ex "Heracles"
	B. Hanson ..	R. Abraham..	55	971 4 3	Feb. 10	(see below) See L/C f 93
				£ 2,541 12 7		
				f 103		

(From a book kept like this the branch will supply the information referred to on page 98.)

Under its due date the bill will also be entered in

BILLS ACCEPTED DIARY.

The full particulars of the security may be entered in a

SECURITIES HELD FOR ACCEPTED BILLS REGISTER,

which gives in respect of these bills the same information as the Bills Accepted Register. To complete the double-entry, this Securities Book (into which for convenience has been incorporated the Suspense Account referred to on page 93) should be treated as recording the liability of the customer to

recoup the bank for its acceptance. As this liability is exactly equal to the bank's acceptances, some banks do not keep another record, but combine the two books in the Bills Accepted Register, which they treat as outside the system of accounts until the bill is paid, when the credit comes through the "in" clearing, and the debit passes to the account of the customer or branch for whom it is paid. Obviously, such an omission of a liability is open to objection, and in the example these acceptances are assumed to have found their place in the system of accounts. $f\ 54 - \pounds 2,541:12:7$.

$f\ 103$.

Payment at Maturity.—

The bill being presented at maturity to the paying bank, it, if not itself a clearing bank, will have prepared an open cheque on its clearing bank, instructing it to pay the bill attached, if regular. At the same time, the bill will be marked off in the Bills Accepted Diary. The daily total of the bills so marked off is passed for entry to the Daily Summary Book, which debits Bills Accepted and credits Securities held for Bills Accepted. The balance on these two accounts in the General Ledger, as already stated, must always agree. The cheque or the bill, if it is a clearing bank, will come as a debit through the In Clearing Register, and, being credited by the cashier, is passed to the Branch or Current Accounts Debit Analysis Book for debit to the agent, branch, or customer for whom it was accepted. At the same time, the security (if any) retained by the bank as cover will be released.

If the customer has paid in sufficient funds to cover the bill accepted for him, such payments-in will have passed to his credit in Current Account in the manner described on page 44, the bill passing to his debit.

Subject to special arrangement a bank retains bills domiciled by a foreign customer at its address, and paid for his account.

REBATE.

It has been stated on page 27 that the daily total of the discount charged on bills discounted is passed through the Daily Summary Book to the credit of a Profit and Loss Account called Discount Account. If the bills were re-discounted at the same rate as they were discounted, the re-discount would be charged to this account, with the result of leaving at the credit of the account only so much discount as the bank itself actually earned while it held the bills. Similarly, at a closing date, in order that there may be put to the credit of Profit and Loss Account only so much of the discount as has been earned in the period, the amount of discount not yet earned must be calculated and carried forward by a debit to the old period's Discount Account, and a credit to the new period's. The amount of this "thrown forward" discount is called "rebate." On the bill discounted £2,045.3s. 9d., shown on page 25, it would at 31st December be 64 days at 5 per cent., say £17 18s. 7d.

As rebate, then, can only exist on bills still in hand, the list of bills in hand on the closing date affords the most convenient place for calculating it.

No Journal entry is necessary to record the rebate. Whatever its total, the transfer from Discount Account to Profit and Loss Account at the closing date is such an amount as will leave at the credit of Discount Account exactly the amount of the rebate.

CONTINGENT LIABILITY ON BILLS RE-DISCOUNTED.

See Bills Discounted (page 28).

CONTINGENT LIABILITY ON FOREIGN BILLS NEGOTIATED FOR CUSTOMERS.

See Bills for Collection, Foreign (page 24).

SHAREHOLDERS' (PROPRIETORS) CAPITAL (STOCK).

The capital of a joint stock bank is not generally fully paid up—that is to say, on each share is the liability of its registered holder to pay up, as demanded, calls to a stated total sum. In some cases, notably banks incorporated by royal charter, this liability—uncalled capital—is only enforceable on liquidation. Where shares are to bearer, they are generally fully paid, partly paid bearer shares being less negotiable, and, in fact, illegal in the case of English companies.

In a private bank, each partner is credited with the capital he introduces, his share of the profits is credited to him, and his drawings are debited.

As to liability on notes, see page 42.

Issue of New Shares. —

The liability of a bank to its shareholders for calls paid up on shares is not repayable, except in liquidation. If capital is to be issued,* the amounts received on application are entered by the cashier and passed to the credit of an Application on New Shares Account. Subsequent further receipts of amounts paid on allotment or as result of calls made by the Board of Directors are credited in the same way to Allotment, 1st or 2nd Call Account.

If an amount is returned to a shareholder by reason of no allotment being made, the cashier is credited and the Application Account debited. Frequently a list is made of the

* The following remarks do not apply where a bank receives moneys for capital to be issued by another concern. Such would pass to credit of the concern's Current Account in the ordinary way.

applicants, what they apply for, what shares are allotted, and how they pay for them; and accounts are not opened in the ordinary Share Ledgers until all the calls made are paid, Scrip being issued meantime.

If an applicant has a less number of shares allotted to him than he applies for, the amount he overpays is returned to him or credited to his allotment or first call account. For the application money retained on Application Account, for the call made on allotment, or a subsequent call, the Application, Allotment, or Call Account is debited through the Daily Summary Book with the total amount called, and Share Capital is credited.

It is very usual to offer new shares in a company to the existing shareholders in proportion to their holdings. The procedure is generally as stated above, except that they may renounce in favour of other persons, who are then entered on the Register.

Transfer of Shares.—

Whenever a registered share is transferred from one shareholder to another, a deed of transfer signed by both parties, together with the certificate issued by the bank to the seller, is lodged with the bank for registration. The bank numbers the transfer, and enters it in a

TRANSFER REGISTER.

"TRANSFER JOURNAL."

Date	Transfer No.	f	Transferor Name, Address, Description	Transferee Name, Address, Description	f	No. of Shares	Distinctive Nos.	Amount paid up
Dec. 28	543	—	M. Lines, &c.	H. Toms, &c.	59	11	1,071 1,081	£5

If the board approve the transfer, the old certificate (issued to the seller) is cancelled, and a new one is issued to the buyer. At the same time, the Seller's Account is credited and the Buyer's debited in a

SHARE LEDGER.

"PROPRIETORS' LEDGER."

(Assuming the Seller's Account to be closed by the sale of 11 shares and the Buyer's opened thereby, the latter's account will appear thus:—)

H. TOMS.

Date	Transfer No.	f	Distinctive No. of Shares Bought		Distinctive No. of Shares Sold		Cr. No.	Dr. No.	Balance	Paid up per Share
Dec. 28	543	58	1,071	1,081	..	..	11	..	11	£5

Assume all the other shareholders of the bank to hold
between them 1,589 shares,
then the total capital of the bank is 1,600 ..
of £20, £5 paid up.

Bearer Shares.—

Where shares are issued to bearer, they are generally issued in certificates of 1, 5, 10, 20, 50, 100, and 500 shares, with coupons attached. In this case there is no register of the names and addresses of shareholders and the number of their shares: the bank will enter instead in a book a record of the number of such certificates issued, the shares each represented, and the date of issue.

Most companies have a lien on the shares of their members for unpaid calls. As to the effect of this see *Bradford Banking Company, Lim. v. Briggs*.

As to the purchase of its own shares by a company, see page 40.

...

Amalgamation.—

On an amalgamation a list of its shareholders is supplied by the selling bank to the purchasing bank, which issues its share certificates to the other bank's shareholders in the proportion of new shares for old agreed on in the deed of amalgamation. If payment is partly in cash a cheque will be drawn by the purchasing bank and paid to the selling bank for distribution among the latter's shareholders.

In the purchasing company's books the purchase-price will be debited through the Daily Summary Book to a Purchase Account in the General Ledger, and Capital credited for the new shares created. To the credit and debit of Purchase Account will also pass the amounts of the assets and liabilities acquired, the accounts representing the assets and liabilities being respectively debited and credited. Any expenses incidental to purchase will also be debited here, the balance finally remaining on the account being the net cost of purchase.

Annual Summary.—

In accordance with Section 26 of the Companies Act, 1862, a List of Shareholders* has to be filed annually at the office of the Registrar of Joint Stock Companies within seven days after the fourteenth day succeeding the ordinary general meeting. The information is to be made up to the fourteenth day, and is to contain—

- (1) The amount of the nominal capital of the company, and the number of shares into which it is divided and the nominal amount of each share.†
- (2) The number of shares taken from the commencement of the company up to the date of the Summary.

* Section 19 of the Companies Act, 1900, requires this list to be signed by the Secretary or Manager of the Company.

† Section 19 of the Companies Act, 1900, further requires a distinction to be made between shares issued for cash and those not issued or only partly issued for cash.

- (3) The amount of calls made on each share.
- (4) The total amount of calls received.
- (5) The total amount of calls unpaid.
- (6) The total amount of shares forfeited.
- (7) The names, addresses, and occupations of the persons who have ceased to be members since the last list was made, and the number of shares held by each of them.
- (8) Particulars of shares transferred by existing members since the date of the previous return.

Section 19 of the Companies Act, 1900, also requires to be stated—

- (a) The total amount of debt due from the company in respect of all mortgages and charges which require registration under the Act, or which would require such registration if created after the commencement of this Act.
- (b) The names and addresses of the persons who are the directors of the company at the date of the Summary.

Banking Companies must also add a list of their places of business.—Board of Trade Order, 15th August 1901.

CHAPTER III.

SUBSIDIARY BOOKS RECORDING PROFIT AND LOSS.

EARNINGS—SERVICES RENDERED—EXPENSES.

THE receipts and disbursements relative to each of the above will be discussed under the two heads into which they naturally divide.

- (1) Those which appertain directly to some customer and are chargeable in his account.
- (2) Those which relate to the general administration of the bank, and are not chargeable to a customer's account.

Profit and Loss Ledger.—

Each of the headings in this chapter is an item in the Profit and Loss Account. Where much sub-division is required a Profit and Loss Ledger will be kept, in which accounts showing the receipts and disbursements under each head will be recorded. Further division is practicable by showing the accounts of earnings in an Interest and Commission Ledger, and the expenses, &c., in a "Charges Ledger." Where there is no necessity for this, all the accounts will appear in the General Ledger.

EARNINGS.

(Chargeable to the Cust m.r.)

Interest Earned on Current Account.—

London banks seldom pay interest on Current Account. In a country bank the amount is calculated day by day, the addition being made at the closing date, when the resulting total is added to the Customer's Account, an entry being made at the same time in the Current Accounts Analysis Book (debtor or creditor, as the case may be), and the total of interest placed to the various accounts entered in the Daily Summary Book for credit or debit of Interest Account, according as it is interest charged or interest paid. A higher rate will be charged on a debit than on a credit balance. If an account is closed, or it is certain that there will be no more transactions on it, the interest may be included at once, and passed through the same books without waiting for the closing date. There are several methods of calculating interest—

Interest Products "Forward" System.—

On the product system, reckoning the number of days forward to a known closing date—*e.g.*, December 31—and charging the same rate of interest, whether the balance be debtor or creditor.

See next page.

T. DIXON.										Cr.						
Dr.	To Returned Bill		f	£	s	d	Days	Dr. Nos.	July 1 Dec. 28	By Balance .. " Bill collected .. " Bills discounted .. " Cash .. " Interest on Deposit	f	£	s	d	Days	Cr. Nos.
Dec. 28	..	Charges paid ..	29	90	7	6	3	270		..	105	1,050	8	0	181†	190,050
	..	Discount ..	4	0	2	6	3	1		..	22	160	4	0	3	480
	..	Deposit Account ..	25	18	15	4	3	56		..	25	2,045	3	9	3	6,135
	..	Charges on ..	51	9,000	0	0	3	27,000		..	2	10,440	3	9	3	31,320
	..	Cheque ..	73	0	0	3	3	0	31		51	1	17	0		
	..	Stock purchased ..	74	1,995	1	0	3	5,985								
31	..	Balance ..						33,312		" Interest, 2½%	105	13	6	8		
	..	Do. down ..						194,673*								
				2,606	16	7										
				£13,711	3	2						£13,711	3	2		227,985
									Jan. 1	By Balance ..					2,606	16 7

* Multiply this balance number by double the rate per cent. allowed on the account (here 2½ per cent.), and divide the result by 73,000. The quotient will be £13 6s. 8d.

† Interest from July 4. In accounts where the date of entry differs frequently from the date from which interest runs, it is usual to insert an additional column in which to show the latter.

If any due date is beyond the closing date, the amount opposite the due date must be multiplied by the number of days beyond that date, and the resulting total deducted from the numbers on the same side of the account.

A variation of the method of reckoning the interest on an account by numbers is to make the calculations at once in money values, instead of doing so at the closing date only. As this method is rather more cumbrous it is not so generally adopted.

“Backward” System.—

On the product system, reckoning the number of days backward from a known opening date—*e.g.*, July 1—and charging the same rate of interest, whether the balance be debtor or creditor.

See next page.

Dr.

J. BEAN.

Dec. 28	To Cash	£	s	d	Days	Dr. Nos.	July 1	By Balance	£	s	d
	Balance on a/c.†	1,209	8	4	181	218,919	Dec. 28	" Loan	1,601	6	6
31	" Balance down	391	18	2	184	71,852	31	" Interest Balance, at 2½% ..	1,601	6	6
					—	—					
						290,771			290,771		
							Jan. 1	By Balance ..			
									391	18	2

† Before crediting interest.

* See preceding note to T. Dixon's account.

LOSS.

If any due date is beyond the closing date, the amount opposite the due date requires no different treatment to other items in the account.

The remark made above, as to a variation of the method of reckoning the interest on an account by numbers, applies also in this case.

“Balance” System.—

Yet another method of calculation is shown in the following example, where it will be noticed that the debit balance of interest carries a different rate to the credit, and that the interest is calculated on the fluctuating balance, and not on the individual items.

Limit over Draft £500.

B. EDEN.

		Dr.	Cr.	Balance.		Dr.	Cr.
		£ s d	£ s d	£ s d	days		
July 1	Bv Balance	105	..	194 5 4	Cr.	104 5 4	181
Dec. 28	To Cash ..	4	558 0 0	Dr.	363 14 8	3	1,091
							35,159
					184	1,091	35,159
						at 4%	at 2½%
						= 24	= 28 3
31	Fy Interest	105	..	2 5 11	Dr.	361 8 9	Bal. £2 5 11
"	" Balance		..	361 8 9	Dr.	361 8 9	
			£558 0 0	£558 0 0			
	To Balance		361 8 9	..	Dr.	361 8 9	

If the rate charged fluctuates with the market rate, the money value must be ascertained to the date of every change.

Months and Years.—

The practice as to the number of days that are reckoned to a month varies.

In Great Britain, the actual number is calculated, and a year has 365 days.

In Belgium, France, and Austria, the actual number is calculated, but a year is considered to have 360 days.

In Germany, 30 days are reckoned to a month, and 360 to a year.

Deducting Income Tax.—

If the bank should deduct income tax from the interest it allows on an account, it is suggested that the sum deducted should be entered to the customer's debit in his Current Account, and not that the interest, less tax, is placed to his credit. The income tax deducted by the bank is a payment it makes for the customer, and he should find it in the same places as other payments.

On Loans.—

See pages 31, 33, and 38.

On Branch Balances.—

See page 71.

Discount on Bills.—

Bankers do not charge "true discount" on bills, but "bankers' discount" (page 130). The Discount column in Bills Received for Discount Register supplies the daily total of discount on bills purchased; the Re-Discount and Sold Bill Register on those sold. As to the portion which is unearned, see "Rebate," page 56.

Exchange on Foreign Bills.—

Discount on foreign bills is calculated by means of their conversion into sterling at a higher or lower rate of exchange. The manner in which the profit or loss on exchange is found is stated on page 28. By means of opening a separate account for each foreign currency, or each class of foreign bills, it is possible to show the gain or loss on the respective divisions so made.

Note that fluctuation in "sight" exchange is due to a difference between supply and demand, and that, therefore, it exists as truly between places having the same currency as those with different currencies.

Interest on Investments.—INTEREST ACCRUED.

As the interest warrant, or cheque in payment of coupon, on each investment is received, it is passed through the Receiving Cashier's Cash Register, and is marked as received in an Interest on Investments Register. The counterpart of the warrant (or particulars of coupons received) is passed for entry to the credit of the investment in the Investment Ledger.

At the closing date some banks will ascertain the interest accrued but not yet payable (*e.g.*, War Loan, one-quarter, less five days) and credit Interest Account, debiting the accounts of the various investments from which the interest will be received; others will omit the accrued interest, treating it as an additional reserve.

In the former case the amount accrued will be shown in the Investment Ledger, but it must be noted that subsequently, when the whole of a period's interest (including the accrued portion) is due and received, only so much must be debited as due as has accrued since the closing date. In the example of War Loan (*f*40) the net amount that comes to the credit of Interest Account is £1 os. 4d., representing the three days from December 28 to 31 only.

In the latter case the dividends, &c., when received will be entered in the Receiving Cashier's Cash Register, be marked off in the Interest on Investments Register, and then pass to the credit of Interest Account.

Rents Receivable.—

When there are many rents to collect from tenants of buildings owned by the bank, a Rents Ledger will be necessary, in which every tenant is debited with his rental when due. As the rents are received, the receiving cashier passes the paying-in slip for entry to credit of the Tenant's Account in the Rents

Ledger. In the example, page 2 (T. Simon, £25), there are presumed to be few tenants, hence the credit passes direct to Rents Account. The rentals are listed in a Rents Due Register, the total of which is recorded in the Daily Summary Book for entry to the credit of Rents Account in the General Ledger. A Sundries Journal may be used to collect these and other small credits prior to entry in the Daily Summary Book. Rents accrued but not due may be treated at the closing date similarly to interest accrued but not due on investments. Every office should be charged with rent. If the premises are the bank's property a quarterly or half-yearly debit should pass from Head Office to branch for the amount of the rent. In the example (page 86) the Head Office debits Thame £50 and credits Rent Account, and Thame will debit its Profit and Loss Account and credit Head Office. The total credit to Rents Account is £75 (see page 103).

DEDUCTIONS FROM EARNINGS.

Interest Paid—on Deposits and Lodgments.—

If the rate per cent. is fixed, the interest is reckoned at the due date. If a closing date falls before a due date, interest must, for the purpose of balance, be reckoned to the closing date. All the amounts so calculated are listed, and either paid to the customers by cheque passed through the paying cashier's books, or advised by docket for entry in the Current Accounts Credit Analysis Book for credit to the Customers' Accounts. Or they may be added to the deposit by request (no receipt being issued), or allowed to stand in the Interest column of the Deposit Account; in the former case the interest is compound, in the latter simple. The total amount is at the same time made the basis for a debit to Interest Account through the Daily Summary Book. If the rate per cent. varies according to the

Bank rate, the interest is usually calculated at the date of each change. The labour of calculation which frequent changes of the rate cause may be diminished by the use of tables reducing the daily rates to equivalent periods at 5 per cent.* Some banks credit their customers with the resulting amount at once, but most will let the interest stand on the face of the Deposit Account, and only credit the customer's Current Account, either at the closing date, or when the whole or part of the deposit is withdrawn.

The Bank of England is not in the habit of allowing interest on any amount lodged with it.

On Current Accounts.—

See page 63.

On Branch Balances.—

To enable a correct estimate to be formed of the success of a branch, interest should be calculated on the balance of account between it and Head Office or other branch, but *per contra* the Head Office or other branch will claim not to be charged interest on such part of the balance as they were unable to loan or invest. The net resulting amount of interest should be credited or debited to the branch, with a corresponding debit or credit through the Daily Summary Book to Interest Account. If the branch has in any period borrowed from Head Office, Head Office will debit it with interest; if Head Office has borrowed, Head Office will credit. The calculation has not been made in the example given in this book.

*Any rate can be reduced to 5% by the following rule:—

Multiply the number of days by the rate per cent. If the result is not a whole number, multiply by 2, 4, 8, or 16 to make it so.

Divide the amount on which the interest is to be reckoned by the same divisor and also by 5.

Thus $2\frac{1}{2}\%$ for 33 days on £152 equals

$$5\% \text{ for } \left(33 \times \frac{17}{8} \times 8 \right) \text{ days on } £ \left(\frac{152}{8} \div 5 \right)$$

EARNINGS.

*Not Chargeable to Customers.***Transfer Fees.**—REGISTRATION FEES.

Whenever a shareholder (or his stockbroker) lodges a deed of transfer of shares in the bank, it is usual to charge a fee for registration, generally 2s. 6d. This charge is also sometimes made on the registration of probate of a will, letters of administration, certificate of marriage, death, or burial. Many banks do not accept women as shareholders.

Fines

for late attendance. Any moneys received on this head are usually divided amongst the staff.

 CHARGES FOR SERVICES RENDERED.
*Those for which the Customer is Charged.***Keeping the Customer's Account.**—

This charge is usually called "commission," and is reckoned in the form of a percentage on the turnover—*i.e.*, on the total debits during the period. Some banks have an arrangement with their customers allowing them to calculate either on the debits or credits, whichever is the larger amount. Instead of charging commission, London banks require their customers to keep a credit balance remunerative to the bank; but if it is too small to be remunerative a sum of, say £1 *rs.*, is charged. Such amount will at the closing date be debited to the customer through the Current Accounts Debit Analysis Book, listed, and the total advised for entry in the Daily Summary Book for credit to Commission Account.

Accepting Bills.—

An arrangement to charge a commission on all bills accepted for customers is frequently made. The amount of the commission will be debited to the customer and credited to Commission Account.

Collecting Country and other Cheques.—

Some London banks charge for collecting country cheques, and Scotch and Irish banks and the Channel Island banks charge for remitting the proceeds of cheques sent to them for collection. The readiest method of recording this is to place in a column against the Scotch and Irish cheques the charge for collection, and pass a docket recording the amount (3d. in example) for entry in the Current Accounts Debit Analysis Book to the customer's debit, the total amount charged being advised for entry through the Daily Summary Book to the credit of the (say) Scotch bank. A Sundries Journal may be used to gather these and other small items together prior to entry in the Daily Summary Book (see page 103).

Issue of Stamped Cheque Books.—

The Government stamp of 1d. per cheque is charged to the customer at the time that he is handed a Cheque Book. The cost of any special printing on the cheques that the customer may require to have done will also be debited to him, the credit passing in reduction of the bank's expenditure on printing and stationery. It is still legal for a customer to draw on his bank by writing on any scrap of paper that he may have, but the practice has been discouraged, practically to the point of extinction. A bank may also supply bill stamps and special forms to its customers.

Sale or Purchase of Securities.--

The bank will undertake to buy or sell through a respectable broker any stock that a customer desires. In case of purchase it will see that it receives the proper documents of title, and will deal with them according to the customer's directions.

The record of the transaction will be entered up from the Contract Note in a

SECURITIES PURCHASED FOR CUSTOMERS' REGISTER.

Date	Name of Customer	Stock to buy	Price	f	Cost	f	Credit to Broker	Bank Com.*	For A/c.	Date Debited	Transfer sent	Transfer Re-turned
					£ s d		£ s d	£ s d				
Dec. 20	T. Dixon..	£2,000 Topekin Railway 5% Debentures Com. & Cont. Stp.	99½	64	1,590 0 0		..	..	..	Dec. 28	Dec. 28	
			..	64	5 1 0	47	1,992 11 0	2 10 0 f 103	Dec. 28			

* In the example, this amount is debited to the broker, on the supposition, as is frequently the case, that the broker shares his commission with the introducing bank. It is generally found convenient to adjust commission with the broker after each Account Day, in a lump sum.

The net cost is, subject to special order, passed to the customer's debit through the Current Accounts Debit Analysis Book, or the Head Office Branch Debits Register for a Branch customer, and the credit is divided into two parts, the net cost, less the bank's commission (if each item is deducted separately), passing through the Current Accounts Credit Analysis Book to the broker's credit, the commission being taken in daily totals from the Register to the Daily Summary Book for credit to Commission Account.

Stocks sold will be entered in a similar book, the bank debiting the broker with half the commission he earns. The bank will also see that transfers of registered securities are returned duly signed, &c., by "buying-in day" (see page 126).

Issue or Payment of Letters of Credit.—**Issue or Payment of Circular Notes.—****Issue or Payment of Telegraphic Transfers.—**

The conditions and manner of issue are dealt with on pages 91 to 94. The foreign correspondent generally makes a profit on these transactions, owing to the great demand abroad for bills on London.

Postages Disbursed.—

Amounts disbursed under this head for a Customer's Account are charged by many banks to their customers. Where this is done at the closing date, or some convenient time, they are debited through the Current Accounts Debit Analysis Book, the total amount being entered in the Daily Summary Book for credit to Postage Account. The amount charged to the customer will be either the exact sum shown in the bank's Postage Book or an inclusive sum to compound it.

Acting as Registrars of Stocks or Shares.—

In the performance of these functions a bank acts as the registrar of a company or government, and is paid either by the transfer fees received, or by a compounded sum. If the former manner is adopted, the moneys received are paid to the receiving cashier daily, the credit passing to the Registrar's Department Account. In the latter case the moneys received are also paid to the receiving cashier daily, but the company is credited through the Current Accounts Credit Analysis Book. The compounded sum is debited to the company when due, the Registrar's Department Account being at the same time credited through the Daily Summary Book. The expenses of the department will appear chiefly as salaries.

Negotiation of Loans.—

The issue of loans for Government or other important bodies is often made by a bank. This function generally includes the payment of the coupons for interest on the loan. These will be left with the Coupon Department by the collecting bank (see page 77). The payments pass through the Paying Cashier's Cash Register, and are debited to the Government, which has already provided the necessary funds.

CHARGES FOR SERVICES RENDERED.

Those for which the Customer is not Charged.

Receiving Property for Safe Custody.—

Acting as custodians of the plate chests, and the deeds, securities, and other valuables of its customers.

The liability of the bank which receives these goods is of the nature of gratuitous bailee, and should be only of a nominal character, as long as there has not been any negligence. There have not been any recent legal decisions as to the extent of the liability (see *Langtry v. The Union Bank of London*). A bank has no general lien on securities deposited for safe custody only. (See *Brandao v. Barnett*, 1846.)

When receiving the articles, definite instructions will be obtained as to the authority on which they are to be delivered, &c. A description, with the date received and name of depositor, is then entered in a

SECURITIES RECEIVED FOR SAFE CUSTODY REGISTER.**"BONDS AND SECURITIES REGISTER."**

Sometimes they are conveniently included with securities held against loans in one register (see p. 37). If bonds with coupons attached are deposited, it must be stated whether the bank is

to collect the coupons as they fall due, or whether the owner will see to that. If the former be the case, the Coupon Department will require to be advised in order that it may collect the coupons at the proper time. Where securities are received in a locked box, or sealed parcel, no responsibility for the contents is accepted by the bank.

Collection of Coupons, &c.—

This includes annuities, dividends, and bonds due for redemption.

Coupons.—

Where a bank's channels of business are such that it receives either from the Security Department or direct from the customer or from a Branch large numbers of coupons for collection, a separate department is formed. At other times, the work is frequently performed by the Walks Department.

Coupons are paid in on slips similar to paying-in slips, except that the name of the loan and the coupon numbers are inserted in place of the names of the banks whose cheques are paid in.

The Coupon Department will enter particulars of the coupons to collect in a

CUPONS TO COLLECT REGISTER.

Date	For whom Collecting	No. of Coupons	Security	Gross Amount	Tax Deducted	Net Amount	f Date Recei'd
Dec. 28	Brown, J. ..	4 @ £2 4451/4	Japan 4%	£ s d 8 0 0	£ s d 10 0	£ s d 7 10 0	103

The collection is then made as described on page 6. On receiving the cheque the corresponding items in the above book will be marked off, and the cheque passed to the cashier for encashment in the ordinary way, a docket being also passed to the Current Accounts Credit Analysis Book or Head Office Branch Credits Register for credit of the amount, less tax, to the Customer's Account or Branch, respectively. The totals of such credits are the basis for an entry in the Daily Summary Book, debiting Coupons Suspense Account and crediting Coupons to Collect Account.

As in the case of bills for collection, the amount to collect will always be exactly equal to the amount to place to the credit of the customer, and a Suspense Account for £7 10s.—~~f103~~—can be opened to show this, as in the example given on page 23.

If a customer desires a certificate of the deduction of income tax, the bank which *collects* the coupons should furnish it.

Coupons payable abroad are frequently sold to foreign bankers instead of being collected.

Dividends and Annuities.—

If a customer has given a standing instruction to a company to pay in to the bank for credit of his account, the amounts will reach the bank periodically, and can be treated as cheques received by post (see page 6). If the bank has to collect a warrant received, it can probably treat it as an ordinary counter-receipt (see page 1).

Records should be kept to see that the proper amount is received—*e.g.*, a Consol Register, stating the holdings of the various customers for whom the quarterly dividends are collected, &c.

Drawn Bonds.—

Bonds drawn for redemption are encashed like coupons (see above). The advertisement column of *The Times*, in which the

numbers of such bonds are usually advertised, should be watched for notice of the drawing.

Executing Standing Orders.—

A bank will accept from its customers an order to pay a stated sum at a stated time. To ensure that these shall be punctually carried out, it is necessary to enter the instructions in a

STANDING ORDERS DIARY.

Date.....

Name of Customer	Receiving Bank	For whose Account	Amount

On the due date, the docket—a “Banker’s Payment”—is passed to the receiving bank, which presents it like an ordinary cheque. Owing to the growth of clubs and societies which collect their members’ subscriptions in this way, the work that this entails on a West End bank in January is considerable, and much time is saved by listing the names and amounts, and showing the total and the name of the club only on the docket, the list being sent separately to the collecting bank.

Making Transfers to Branches.—“TRANSFER CREDITS.”

Lodging money at one branch for credit at another.

This service has come more into prominence since the extension of banks by amalgamation. The method of recording is fully dealt with on pages 83 to 88.

EXPENSES.—Charges.

(1) *Chargeable to customer.*

(See Charges for Services Rendered, page 72.)

(2) *Not chargeable to the customer.*

Salaries of Staff.—

Each officer will receive a docket or cheque for the amount of his salary due, which passes to the credit of his Current Account, or as a voucher to the paying cashier on payment of the amount. The monthly total is listed in a Salaries Book, and the total is the basis for the entry in the Daily Summary Book for debit to Salaries Account. Overtime will be similarly dealt with. Banks keep a full and confidential record of the promotions and changes of position effected among their staffs.

Pensions to the Staff.—

These are of the nature of deferred pay. A separate fund is usually built up out of the profits of the bank, and the pensions paid thereout. Sometimes the bank and its staff will each contribute in accordance with some fixed scale, a valuation being made periodically, say, every fifth year, to see that the fund is adequate to meet its accruing liabilities. If there is no separate fund, the pensions will be paid as salaries are.

The board of directors may contribute out of the bank's funds without special authority from the shareholders (see *Henderson v. Bank of Australasia*).

Directors' Fees.—

The payment of these can be recorded like the payment of salaries. Directors usually settle between themselves the appropriation of the sum allowed them by the shareholders. As to the directors' responsibility for the work of the staff, see *Re National Bank of Wales ; Dovy and others v. Cory*.

Rents, Rates, and Taxes.—

These will be paid by cheque as they fall due, credit being given in the Paying Cashier's Cash Articles Analysis Book, and the debit passing to a Rents, Rates and Taxes Account through the Daily Summary Book.

Office (Incidental) Expenses.—**Petty Cash Expenses.—**

The chief of these will be stationery, not only the cost of all the books in use, but also of the Pass Books and Cheque Books supplied to customers gratis, the latter except as regards the Government stamp. Before payment, expenses will be approved by a senior officer of the bank, after which they will be recorded like rents, rates, and taxes above, and pass to the Office Expenses Account (Charges Account) through the Daily Summary Book.

Postage.—

If not included among Office Expenses, payments on this account will be kept in agreement with a Postage Book, and the amount, less charges to customers, will appear to the debit of Postage Account.

Provision for Bad and Doubtful Debts.—“CONTINGENCY ACCOUNT.”

Every bank has a special reserve, which is credited with an adequate provision for the known bad and doubtful debts on its books, and also with a sum to meet unknown contingencies. The balance of loss on bad debts and loans is written off through the Daily Summary Book to the debit of this account. If a branch desires to write off an account it should debit Head Office, which, in its turn, will credit the branch and debit the Provision for Bad Debts Account.

Depreciation of Leases, Bank Premises, and Furniture.—

This is provided by debiting Profit and Loss Account through the Daily Summary Book with the amount of depreciation, and crediting Bank Premises Account.

Furniture is generally reckoned to depreciate at not less than 10 per cent. per annum.

DISTRIBUTION OF PROFITS.**Payment of Dividends.—**

The payment of a dividend having been approved, the necessary amount is transferred from Profit and Loss to the credit of

Dividend Account. The warrants are made out from lists, sent to the shareholders, and when presented are passed through the paying cashier's books to the debit of Dividend Account in the General Ledger. The daily total of dividends paid is entered in the Daily Summary Book.

Payment of Income Tax on Profits.—

Where this is not deducted from the dividends paid to shareholders, it is in the nature of a bonus to them, though due allowance will have been made for this item before declaring the dividend. Care should be taken to see that the Inland Revenue authorities are not paid income tax on interest already received less tax, also that the assessment for tax deducted under Schedule A (Property in Lands, Tenements, &c.) is allowed in abatement of the assessment on the main part of the bank's profits under Schedule D (Profits of Trade). Payment is usually made to Government in the month of January or February.

As to the deduction of income tax from interest allowed by the bank see page 68, and on coupons, and rule as to rate, see page 6.

Appropriation to General Reserve.—

As good credit is necessary to a bank, the provision of a large Reserve Fund is desirable. Hence a portion of a bank's profits is generally not divided among the shareholders, but transferred to General Reserve, thus serving to increase the working capital. Through the Daily Summary Book, Profit and Loss Account is debited and Reserve credited with the amount so set aside. If an investment of like amount is made at the same time, the Reserve is considered as "invested outside the business." If the investment yields a lower rate of interest than is paid for money borrowed, it is a matter for decision on the facts of the case whether such investments are sound finance or not.

CHAPTER IV.

SUBSIDIARY BOOKS RECORDING TRANSACTIONS WITH BRANCHES AND AGENCIES.

Branch.—

A BRANCH acts as a feeder of a bank's business. It may do so by obtaining deposits after the manner of the London branches of Colonial banks, or by affording channels of investment like the Colonial branches of London banks.

Agent.—

Subject to any special arrangements, an agent may be regarded in bookkeeping as a branch. His account is kept in a Subsidiary Agents' or Correspondents' Ledger, ruled similarly to one of the Current Account Ledger forms described on page 47. The following remarks apply equally to agents.

Inter-Branch Accounts.—

Except where distance or great inconvenience makes any other course undesirable, branches should not be permitted to debit or credit each other, except through Head Office. An example of record in Head Office books of an inter-branch transaction—transfer of deposit balance £55 from York to Thame—follows. Where inter-branch debits and credits are allowed, the need for inspection will be all the greater.

Transactions at branches can be classified under three heads:—

- (A.) Those to which Head Office is a party.
- (B.) Those to which another branch is a party.
- (C.) Those which are entirely carried through in the branch office where they originate.

CLASS A.

Transactions to which Head Office is a party.—

These will appear in the Head Office books and in the branch books as described below.

HOME BRANCHES.†

Branch Debits to Head Office.—

Of the entries originating at the branches, each branch sends up daily to its Head Office in London, all cheques payable in London or through London banks.

At the Head Office, after their receipt is recorded in the Post Department (see page 5), they are passed to the Branch Department. A branch's debits are the Head Office credits, and *vice versâ*, hence the branch debits for cheques to collect by Head Office will be entered at Head Office in a

BRANCH CREDITS REGISTER.

"BRANCH REMITTANCE BOOK."

Date	Branch	Description of Cheque	Dr. f	Cr. f†	Walk and House	Clearing	Other Branches	Total
Dec. 28	Launceston Thame .. Thame ..	Lloyd ..	11		£ ..	£ s d 155 0 0	£ s d ..	£ s d 155 0 0
		Union ..	11		..	19 0 0	..	19 0 0
		York ..	c		..	..	55 0 0	55 0 0
						174 0 0	55 0 0	229 0 0
						f 19	f 85	f 95

After entry here the cheques are collected in the manner described in Chapter I.

The amount of the day's receipts is acknowledged to each branch by letter, and passed by docket to the credit of the

† In the folio column left blank in the following five examples, the references to the Subsidiary Branch or Agent's Ledger would be inserted.

Branch's Current or "Cash" Account* in the Subsidiary Branch Ledger, whilst the daily grand total forms the basis of the credit entry in the Branch Balances Book.

Bills for collection sent by a branch to Head Office are collected as already described on page 22, and credited at maturity to the branch.

Branch Credits to Head Office.—

Similarly, the branch credits—*e.g.*, for a balance transferred to Head Office or another branch—appear at Head Office in a

BRANCH DEBITS REGISTER.

"BRANCH TRANSFERS BOOK."

Date	Branch	Description	Account to credit	Dr. Cr.		Current Accounts	Other Branches	Total
				f	f †			
Dec. 28	Thame York	Current A/c .. Deposit ..	J. Brown Thame ..	47	C	£ s d 25 0 0	£ s d	£ s d 25 0 0
						..	55 0 0	55 0 0
						25 0 0	55 0 0	£80 0 0
						f 45	f 84	f 95

The former of these items will then pass by docket for entry in the Current Accounts Credit Analysis Book. The latter item passes to credit of Thame branch in the Branch Ledger. The daily total of the Register is the basis for the debit in the Branch Balances Book.

Drafts drawn by Branches on Head Office.—

These are entered in an Advice Book, and marked off at Head Office on presentation for acceptance when they are entered in the Bills Accepted Register and the Bills Accepted Diary, and

* To the branch this account will be known as the *Head Office* Current or "Cash" Account.

† See note, page 84.

further dealt with, as stated on page 52, but substituting the word "branch" for "customer." Scotch and Irish cheques received by branches, and bills to be collected in another part of the country, are sent direct to the paying bank or its agent, and, London gives the branch credit on receiving the paying bank's credit note or remittance.

Head Office Debits to Branches.—

Of the entries originating with Head Office, debits* to branches are advised from their respective departments to the Branch Department by which they are listed, each branch on a separate sheet. The sheets, with the vouchers attached, are sent by post to the branch, and at the same time the particulars are entered in a

H.O. BRANCH DEBITS REGISTER.

"CHEQUES REMITTED BOOK."

"BRANCH CHEQUES REGISTER."

Date	Branch	Account	Description	Dr Cr.		Clearing	Sundries and House	Other Branches	Total
				f†	f				
Dec. 24	Thame ..	Sundry ..	Country clearing ..			£ s d 343 7 7	£ s d ..	£ s d ..	£ s d 343 7 7
									105
Dec. 28	Thame ..	Jones ..	Cheque ..	5	..	48 7 4	..	..	48 7 4
	Launceston	Seaton ..	Cheque for Smith, Thame	c	..	..	74 0 0	..	74 0 0
	Thame ..	Sundry ..	Country clearing ..	19	84 4 5	..	..	..	84 4 5
	do.	Notes (3)..	c 1,949-51 16 : 2 : 00	5	..	15 0 0	..	..	15 0 0
	do.	Rent ..	½ year's rent	70	..	50 0 0	..	..	50 0 0
						84 4 5	113 7 4	74 0 0	271 11 9
						f 11	f 5 & 41	f 87	f 95

* These include any amount sent to a branch for collection, and also the Bankers' payments issued by London non-clearing branches not on the Waiks (or by H.O. on their behalf), in honour of cheques drawn on them and presented at their Head Office by the collecting bank to whom the payment is due. Such cheques will, of course, not appear in the above Register until the payment is received through the Clearing.

† See note, page 84

The branches are debited and the credits appear in the Current Accounts Credit Analysis Book, and other books, the daily total being the basis for the entry in the Branch Balances Book. As regards the items £343 7s. 7d. and £84 4s. 5d., it may be explained that they are cheques payable by Thame presented through the Country Clearing by other banks, and sent by Head Office to Thame on December 24 and 28, with a request to be allowed to debit the branch and to allow it in the country clearing of the 28th and 30th.

Head Office Credits to Branches.—

Cheques and credits received at Head Office for credit of a branch are recorded by cashiers (see page 6), and then entered in a Head Office Branch Credits Register.

H.O. BRANCH CREDITS REGISTER.* "BRANCH RECEIVED WASTE BOOK." "CHEQUES RECEIVED BOOK."

Date	Branch	Account	Description	Dr.	Cr.	Other Branches	Clearing	Total
				f	f †			
Dec. 28	Thame ..	Smith ..	Seaton (cheque on Launceston)	c		£ s d 74 0 0	£ s d ..	£ s d 74 0 0
	Ely ..	Samuel ..	Brown, Lon- don joint	11		..	26 0 0	26 0 0
						74 0 0	26 0 0	£100 0 0
						f 86	f 19	f 95

The cheques themselves are passed to the walk or clearing for collection. If they are drawn on an account at one branch for credit of an account at another branch, they will appear in the Head Office Branch Debit Register as to the former, and in the Head Office Branch Credit Register at the latter (see item of £74 above).

* The nature of this book being similar to the Receiving Cashier's Cash Articles Analysis Book (see page 3) its scope can be similarly extended.

† See note, page 84.

The branches are credited in their respective accounts in the Branch Ledger, Country Clearing being credited after the usual three days. If the debits are to be collected at Head Office they are passed to the proper department for collection; if to other branches, they are marked off against the Head Office Branch Debits Register. The daily total is the basis for the entry in the Branch Balances Book.

FOREIGN BRANCHES.

Duplicate Advices.—

The usual custom of a bank with foreign branches is to acknowledge the branch's last received communication per first return mail, to send its own debit or credits by the same mail, and a copy thereof by the next mail, or by an alternative route. Thus, should the first mail be lost, little time elapses ere the arrival of the duplicates.

Due allowance being made for the longer period of time which must pass ere advices can be acknowledged, there is no fundamental difference between the manner of recording transactions with home and with foreign branches. Such difficulty as exists is due to the varying currencies of the world.

Treatment of Foreign Currencies.—

The treatment at Head Office of transactions with branches whose books are kept in another country may be recorded in one of three ways—

- (1) Where the branch is situate in a country with which the rate of exchange varies within narrow limits—*e.g.*, France, United States.
- (2) Where the branch is situate in a country in which gold is not the legal currency—*e.g.*, Mexico.

- (3) Where the branch is situate in a country in which gold, although not the legal currency, is much employed in the settlement of debts—*e.g.*, Argentine Republic, where debts are contracted payable in paper, and also in gold.

Although a strict regard for theory would require that every transaction with a foreign branch should be entered in the Current Account at the rate of exchange which governs it, yet convenience dictates, more especially in the first case, that a fixed exchange shall be adopted, at which inter-branch or inter-Head Office and branch transactions shall be calculated. In sacrificing to convenience by recording on this untrue foundation, no risk is necessarily run, for the true position can always be ascertained by valuing the branch liabilities and assets existing at the closing date at the demand rate of exchange then ruling, and making the balance of the branch Current Account equal to the difference between the liabilities and assets so valued by means of a transfer to or from Exchange Account. The individual transactions will have been placed to the customers' accounts at the actual ruling rates, and the difference placed to Exchange Account. In finding the balance, regard must, of course, be had to items in transit (see page 96).

Outward and Homeward Accounts with Branches.—

Foreign banks frequently divide their Current Accounts with their branches into two parts—an "Outward" (Nostro) Account for entries originating with Head Office, and a "Homeward" (Loro) Account for those originating with the branch. Where this is not done, the recording of entries originating at Head Office in books different to those originating at the branch ceases to serve any useful purpose (except as a method of dividing work), and may be dispensed with.

The periodical statement of account between Head Office and branch will probably record the amounts of the transactions both in the home and the foreign currency.

Drafts Sold by Head Office on Branch.—

These are entered in a

BRANCH DRAFTS SOLD REGISTER.

Date	To whom sold	In whose favour	Branch	Term	Amount	Equiva- lent	Dr. f	Cr. f †	Charges	Remarks
Dec. 28 75	R. Johnson (cash)	T. Morgan	New York	sight	\$ 500 '00	£ s d 104 3 4	2			
						f 95				

† See note, page 84.

(From a book like this the branch will supply the information referred to on page 98.)

In the example above, the cashier has been debited, but it may also happen that a customer's Current Account is debited through the Current Accounts Debit Analysis Book. The daily total will be the basis for an entry in the Branch Balances Book. The amounts will be allowed to remain at the credit of a Branch Drafts Sold Account in a Branch Ledger until mail day, when the total for each branch is agreed with the advices then to be sent, and also with the entries in the Branch Drafts Sold Register. An entry then passes to debit the Branch Drafts Sold Account and credit the "Outward" Current Account of the branch with the total sum advised.

Branch Bills Purchased.--

The manner of recording these is similar to foreign bills of exchange purchased (see page 27).

Bills sent to Branch for Collection.—

See Bills of Exchange for Collection (page 22). They must be sent so as to enable the branch to present at maturity.

Bills received from Branch for Collection.—

See Bills of Exchange for Collection—Inland (page 21). The branch will be credited on payment instead of the customer.

Telegraphic Transfers Issued.—

These are practically bills payable at sight of telegram. When a bank is asked to telegraph a remittance to a Customer's Account at a branch, an entry is made in a

TELEGRAPHIC TRANSFERS ISSUED REGISTER.

Date	Paid in by	Branch	For whose account	f	Amount	Commission	Cable charge	Total

The amount is debited to Cash or the Customer's Account at Head Office, and the branch is credited like Drafts sold by Head Office on branches. The credit for commission and expense of cabling pass to the credit of these respective accounts.

Telegraphic Transfers Received.—

These are similarly entered in a

TELEGRAPHIC TRANSFERS RECEIVED REGISTER,

from which, however, the heading "Commission and Cable Charge" will be omitted. The branch is debited in the "Homeward" Account, and the customer's Current Account is credited "under reserve"—that is, subject to fuller instructions, which will arrive by the earliest possible mail.

Letters of Credit Issued.—

A customer not infrequently finds it useful to be able to tell his foreign clients that they can have the bills they draw against goods they sell to him accepted by a well-known bank. He is able to do this by obtaining a letter stating that, until a certain day, the bank will accept bills for his account to a stated total sum. To identify the customer the letter bears his signature, which is usually confirmed by the branch as well.

The issue of the letter of credit will be entered in a

LETTERS OF CREDIT ISSUED REGISTER.

Date	No.	In favour of	Addressed to	Term	f Amount	Drafts advised	Remarks
Dec. 28	941	C. Binns..	South African Bank, Pretoria	March 28	£ s d 47 100 0 0 f 103		

A docket will be passed to the Current Accounts Debit Analysis Book to debit the Customer's Account with the amount of each credit issued, and a credit will be opened in a

LETTERS OF CREDIT LEDGER.

The daily total of the Register is the basis for the entry in the Daily Summary Book for credit of Letters of Credit Issued Account. As the bills drawn on the customer are advised by the branch they are debited against the Letters of Credit Account, the branch being credited in the "Inward" Current Account in the Subsidiary Branch Ledger. The unused balance on the Letter of Credit is placed to the Customer's Account on his proving that it has not been appropriated.

Documentary Letters of Credit.—

Where these are issued by Head Office on the branch, the bills to be accepted will be presented at the branch, accompanied by the shipping documents. Each set of documents will be sent to Head Office by first mail, after the bills are accepted at the branch. The Head Office will act according to the instructions received.

Letters of Credit Received.—

A Letter of Credit entered by the issuing office as "issued" will be entered by the receiving office as "received."

The Head Office, having received advice from the branch, enters it as a memorandum in its

LETTER OF CREDIT RECEIVED REGISTER.

Received December 26th. Issued by Calcutta in favour of B. Hanson.

Amount £3,000.* Expires March 15th.

Date of Acceptance of Bill	No.	By whom presented	To whom payable	Due date	f	Amount			Balance unappropriated		
						£	s	d	£	s	d
Dec. 28	473	R. Abraham..	B. Steele	Jan. 31	54	971	4	3	2,028	15	9

* In the Calcutta books this amount will appear as a Letter of Credit Issued.

The daily total of the bills debited in the Letters of Credit Received Register is the basis for the entry in the Daily Summary Book, debiting a Bills against Branch Letters of Credit Suspense Account (*Dr.*), the credit to Bills Accepted Account being included in the daily total of acceptances shown in the Bills Accepted Register (see page 54). To carry out the system

there described, it will be necessary only to debit the Branch Account on payment of the bill, and credit the Suspense Account.

Each bill drawn against a Letter of Credit is entered in this Register on acceptance by the bank, and is also entered under its due date in the Bills Accepted Diary, and otherwise treated as an acceptance of the bank (see page 54), the branch being debited in "Outward" Current Account in the Subsidiary Branch Ledger.

Circular Notes.—

These are generally issued to customers intending to travel, in order to enable them to obtain funds *en route*.

The customer, on paying for the notes, receives a letter on which he places his signature. This letter of indication has to be exhibited as a certificate of identity before a note can be cashed. The keeping of this letter separate from the circular notes is a necessary condition of issue (see *Hume Dick v. Herries Farquhar & Co.*).

Particulars of the notes issued are entered in a

CIRCULAR NOTES ISSUED REGISTER,

giving the date, name, and address of the person to whom they are issued, the amount, and leaving space for the date of payment to be inserted, and any other needful remarks. The total of this Register is the basis for an entry in the Daily Summary Book crediting Circular Notes Account, each item being debited to the customer or branch for whom it is issued.

On presenting a note at the office of the bank's foreign correspondents, the customer will be there required to sign his name on the back of the note, and also to give a receipt, probably in duplicate. He will then receive foreign currency to the amount of the note. The correspondents will send the note cashed and

the original receipt to the bank, with instructions to credit their account or to send a remittance. On receipt of the request, the bank marks the note off in the Circular Notes Issued Register, and the correspondent's account or the cashier is credited, according to the correspondent's request.

SUMMARY OF TRANSACTIONS.

Those of the foregoing transactions which are at once posted to the debit or credit of the Branch Accounts in the Branch Ledger at Head Office are summarised thus in a

BRANCH BALANCES BOOK.

December 28.

Branch Debits Register	<i>f</i>	<i>£</i>	<i>s</i>	<i>d</i>	Branch Credits Register	<i>f</i>	<i>£</i>	<i>s</i>	<i>d</i>
H.O.	85	80	0	0	H.O.	84	229	0	0
do.					do.				
do.	86	271	11	9	Branch Drafts Sold	87	100	0	0
					Register	50	104	3	4
	<i>£</i>	351	11	9		<i>£</i>	433	3	4
		<i>f</i>	103				<i>f</i>	103	

CLASS B.

Transactions to which another Branch is a party.

Except for the substitution of the corresponding branch for the Head Office in the examples given above, transactions between branches require no different treatment in the branch books from those between Head Office and branches.

The items Thame to York £55 and Thame to Launceston £74 are examples of inter-branch transactions when branches are not allowed to keep Current Accounts with each other. The documents themselves will pass direct from branch to branch.

CLASS C.

Transactions which are entirely carried through in the Branch Office where they originate.

The records of any transactions which are completed at the branch where they originate do not require different treatment to that which has already been stated in these pages as regards similar entries at Head Office.

ITEMS IN TRANSIT.

Remembering that Head Office debits are branch credits, and *vice versâ*, we shall find that the Current Account with a branch in the Head Office books will be found in that branch's books exactly reversed. Uniting, then, the branch accounts with those at the Head Office, we find that all entries in the Current Account at the branch which have their counterpart in the Head Office books, and are therefore acknowledged by it, cancel out, leaving only those which are not yet completely accepted by both. The latter items are known as "Items in transit."

There are two methods of treating these items when a combined Balance Sheet of the Head Office and branches is required to be presented.

Treatment by Analysis.—

The one is to analyse the differences between the respective branches and the Head Office into their component parts, and place the sum of each of those parts under its proper head in the Balance Sheet. By this means there will be no such entry as "Items in transit" appearing on the Balance Sheet.

Treatment by Balancing.—

The other method is to add together the differences between the respective branches and the Head Office, and place the resulting total *Dr.* or *Cr.*, as the case may be, in the Balance

Sheet as "Balance between Head Office and Branches." The disadvantage of this method is that if the debits outstanding between some branches nearly equal the credits outstanding between others, the small resulting balance will afford no index as to the total amount of such debits and credits.

Each branch advises Head Office on the Homeward Account of all transactions between them which originate at the branch. *Mutatis mutandis*, what has been said as to Outward Accounts Current applies to Homeward Accounts Current.

APPENDIX.

BRANCH STATISTICAL RETURNS.

"STATE."

Branch Returns: Statistical.—

It is to be observed that, except as to the transactions included under Class C above, reference has only been made to the branch advices that refer to transactions recorded in the books of account at Head Office or another branch. There are, in addition, returns of a more statistical nature furnished to afford Head Office information as to the general business done by the branch which sends them. These returns do not enter into the scheme of bookkeeping at the Head Office.

The method most in use is for each branch to send to Head Office periodical statements of its transactions, with such remarks thereon as circumstances call for. These statements vary according to the nature of the bank's business, but a list of the most likely is here appended, together with a note of the Register or other source from which they would be extracted:—

INFORMATION AS TO	REGISTER, &c.	PAGE
Rates of Interest allowed and paid.)	Official Newspapers, &c.	
Rate of Exchange, premium on gold, &c.)		
Cash and Notes in hand	Coin and Notes Daily Balance Book	17
Notes in circulation	Note Register	42
Bills for collection	Bills Received for Collection Register	22
Bills discounted	Bills Received for Discount Register	25
(Probably this return will be sub-divided to show Bills drawn on other branches, against local produce, &c.)		
Bills accepted	Bills Accepted Register	54
Drafts sold	Branch Draft Sold Register	90
Loans made	Customers' Loan Register	36
Advances on Consignment	Advances on Consignment Register	34
Current Accounts opened	Current Accounts Ledgers	44
	Information Books	39
Deposits received	Deposits Received Register	49
Dead Accounts, <i>i.e.</i> , Inoperative Loan Accounts	Customers' Loan Ledger	36
	Current Accounts Ledgers	44
Expenditure	The different heads referred to in Chapter III.	72
Income	Do.	62
Turnover for the period	Daily Summary Book	103
Assets and Liabilities	Balances in General Ledger	107
(This return may be divided so as to show the totals of assets and liabilities above the point of division; balances on Profit and Loss and on Head Office Account being shown below.)		
Certificates as to correctness of the foregoing	Form authorised by Head Office.	

Where practicable, comparative figures of the previous year would be added.

At longer intervals, say, quarterly or half-yearly, each branch will send a detailed statement of its position, with certificates by the manager and accountant as to its accuracy.

The manner in which the Head Office will use these statements varies. The information sent may be so full that the Head Office keeps a detailed copy of all the Branch Ledgers. Such completeness is perhaps unusual, but a system of checking with previous returns, and with the instructions of Head Office and by cross references to other branches, is with advantage carried out by many Head Offices.

CHAPTER V.

THE GENERAL LEDGER: ITS JOURNAL (*Daily Summary Book*), AND THE BALANCE SHEET.

It is unnecessary to consider the principles of single-entry bookkeeping, as there is probably not any bank that keeps its books on any other system than that of double-entry.

It may here be stated that it is not an essential of double-entry bookkeeping that transactions must be recorded only after the following fashion:—

Cash	Dr.	£25 0 0
To Deposit Accounts	Cr.	£25 0 0

(For lodgment made this day by A. Smith.)

The double-entry system requires simply that every debit shall have a corresponding credit, and *vice versa*. In practice it has been found that, in a Journal, entries can be stated as above, to combine the proof that the debit equals the credit, with the necessary information as to the accounts to debit and credit; but a little consideration shows that where there are many transactions of the same nature, much time can be saved by grouping those of a similar nature together. Of this practice, banks have largely made use, and, in consequence, one bank clerk enters exclusively in one book items relating to certain Current Accounts, another enters in another book items relating to a certain class of Clearing House cheques, &c. It is the business

of the chief accountant to combine the various results so as to present his chiefs with correct statements of the ever-varying position of the whole.

GENERAL LEDGER.

One General Ledger for each Office.—

The daily work of the various departments is combined in total and recorded in the General Ledger. Every branch of a bank, as well as the Head Office, has a General Ledger. Each of these General Ledgers is complete in itself, and will afford an accurate picture of the bank's position at that office as regards its particular assets and liabilities, and balance due to or from Head Office or other branches. The General Ledger, then, is the key to the system, containing, as it does, in summary form the record of the work of each department. Each of these must keep its subsidiary books in accord with the account in the General Ledger that represents it. Not infrequently, then, is the General Ledger known as the Key or Principal Ledger.

One General Ledger for all the Offices.—

Some bank accountants only apply the term "General Ledger" to a record containing all the liabilities and assets of the bank. Where this is done, it is still needful to keep at the Head Office a Ledger summarising the Head Office transactions only, and the Head Office will make up statements of its transactions just like a branch (see page 98). This and the branch statements are then analysed at Head Office in a book, which shows under the head of each class of liability and asset the total amounts by which it has altered at each of the offices of the bank since the last statement. The resulting total under each head of liability and asset is then entered in a Journal, from which the amounts are posted to the account of the liability

or asset in the General Ledger. It will be noticed that by this system it is possible to make an entry in the General Ledger only as often as returns are received from all the offices of the company. With weekly returns, the entries would be made in the General Ledger once a week ; with monthly returns, once a month.

With the system first described these periodical statements of work done are also sent to the Head Office, not for entry in the Head Office books of account, but in its statistical records by summarising them in a Branch Balance Book (see page 108) to agree with the balance shown in the Head Office General Ledger as due by or to the various branches.

The examples throughout this book are treated on the assumption that each office of the bank has a General Ledger.

JOURNAL.

Daily Summary Book.—

Before entering the daily totals in the General Ledger they may with advantage be recorded in the Daily Summary Book or Journal. By this means any error in the day's work can be ascertained and located, for obviously as to every debit in one book there must somewhere in another book or books be a corresponding credit, the day's transactions cannot have been correctly recorded, unless the total debits of all the departments exactly equal the total credits. This proof is afforded by the Journal, as is shown in the next statement, which gathers up all the entries which have been used as examples in previous pages. By thus keeping the Journal entries proved day by day, and entering them daily to the debit or credit of their various accounts in the General Ledger, each office of a bank is enabled to draw up a Balance Sheet at any moment, without waiting for

the agreement of all the subsidiary Ledgers. Probably the result will be inaccurate as to profit, because interest earned is not shown in the books of account until it is calculated and can be charged to the customer, but the exclusion of a part of this item is not ever likely to be so large as to affect the judgment of anyone who wishes to know the proportion of assets to liabilities, the amount loaned on any one class of securities, or similar matters.

In order that entries may be made from the subsidiary books into the Journal without interfering with the business of the day, it is usual for each department to have alternative books—*i.e.*, one set to be in use on Monday, Wednesday, and Friday; another on Tuesday, Thursday, and Saturday. If this division is not sufficient it can be extended until every day of the week has a separate book in every department.

The examples whose entry in the subsidiary Registers have been recorded in the preceding pages will be entered, either the same evening or the next morning, in the following manner in total in the Daily Summary Book.

DAILY SUMMARY BOOK.
JOURNAL.—DAY BOOK.
December 28.

Register	Folio	General Ledger Account	Folio	Dr.	Cr.
				£ s d	£ s d
Cash Balance Book ..	19	Cash ..	19	18,523 6 10	16,889 1 10
Country Clearing Book ..	13	Country Clearing Suspense ..	13	343 7 7	412 4 8
Do. ..	13	Do. ..	13	9 14 3	84 4 5
Bank of England Book ..	14	Bank of England ..	14	1,438 12 8	100 0 0
Out Clearing Book ..	9	Bills for Collection ..	14		
Bills for Collection ..	*	Suspense Account ..	*	160 4 0	160 4 0
Register ..	22	Bills for Collection ..	22	84 2 0	84 2 0
Bills Discounted ..	25	Bills for Collection ..	22		
Re-discount Register ..	28	Suspense Account ..	27	2,045 3 9	90 7 6
Stockbroker's Loan Register ..	32	Discount ..	27	20 16 5	
Billbroker's Loan Register ..	30	Stockbrokers' Loans ..	32	3,000 0 0	18 15 4
Advances on Consignment Register ..	34	Money at Call ..	30	5,000 0 0	5,000 0 0
Customer's Loan Register ..	36	Advances on Consignment ..	34	1,370 0 0	17,545 2 6
Investment Register ..	40	Loans ..	36	1,500 0 0	9,000 0 0
Current Accounts Debit Analysis Book ..	46	Investments ..	40	4,341 16 6	
Coupons for Collection ..	77	Interest ..	40	28 4 6	2 10 0
Securities held for Accepted Bills Register ..	54	Current ..	46	13,717 15 7	0 0 3
Paying Cashier's Cash Register ..	4	Coupons to Collect ..	77	7 10 0	2,511 12 7
Branch Balances Book ..	95	Securities for Acceptances ..	54	2,541 12 7	7 10 0
		Salaries ..	4	70 0 0	100 0 0
		Branch ..	95	351 11 9	75 0 0
				£54,543 18 5	433 3 4
					£54,543 18 5

* The items so marked are those which it has been stated in the foregoing pages to be not unusual to exclude from the system of accounts until the moment of payment. To facilitate comparison with the Balance Sheet which follows, and also because the books of account do not form a complete record as long as these items are excluded, they are inserted above.

† If a Subsidiary Profit and Loss Ledger is kept, these items will be debited or credited to its account in the General Ledger.

An account will be opened in the General Ledger for each of the above items which appear under the heading of General Ledger Account. As no special difficulty presents itself in the opening and posting, these accounts have not been reproduced, but the reader is recommended to do this for himself.

This manner of entry follows the ordinary bookkeeping practice of posting the debit side of the Journal to the debit side of the Ledger, and similarly as to credits. Some bookkeepers prefer to reverse the Journal, and thus post debits in the Ledger from the credit side of the Journal, and *vice versa*. The sole advantage of doing so is that posting from the Journal is thus exactly similar to posting from the Cash Book.

Journal as a Summary Cash Book.—

In those banks which treat the Journal as a Summary Cash Book and show a balance on it at the end of the day, the General Ledger will not be self-balancing by the amount of the cash balance. The main variations from the above example, which this practice necessitates, are—

- (1) That the cash balance at the commencement of the day (£800 in example) is brought in as a balance from the previous day.
- (2) That the entries in the Journal must be reversed, the debits above appearing on the credit side, and *vice versa*.
- (3) That the debit and the credit to Cash Account appearing above are omitted.

After making these alterations the Journal will show a balance (representing the cash in hand at the close of the day), £2,434 5s., as per Cash Balance Book (see page 19). It may, in fact, be feasible, by showing the totals of all House Transfers in the Cash Balance Book, to let this book take the place of the Journal.

The reader is asked to assume that the transactions prior to December 28 would produce the following balances on the night of the 27th:—

SEE PAGE	f	£	s	d	SEE PAGE	f	£	s	d
17 Cash and Notes ..		800	0	0	Capital		8,000	0	0
Bank of England		2,400	0	0	Reserve		3,000	0	0
86 Cheques sent to branches		343	7	7	Current Account, viz. :-				
25 Bills discounted ..		5,090	7	6	66 J. Bean.. £100 0 0				
22 Bills for Collection		160	4	0	47 C. Binns 157 9 8				
Country Clearing					64 T. Dixon 1,050 8 0				
Suspense A/c...					67 B. Eden 194 5 4				
13 To receive £124 8							1,502	3	0
13 To pay .. £343 7 7					23 Bills for Collection				
		68	17	1	Suspense A/c...		160	4	0
41 Bank premises ..		5,800	0	0	Profit and Loss A/c		500	9	2
					Provision for bad and doubtful debts		1,500	0	0
		£14,662	16	2			£14,662	16	2

He must now assume that no change occurs in any of the accounts between December 28 and December 31, except that

On Current Accounts balances—						<i>f</i>	<i>£</i>	<i>s</i>	<i>d</i>
J. Bean ..	..	..	..	..	..	66	1	6	6
T. Dixon ..	..	..	..	..	..	64	13	6	8
B. Eden ..	..	..	..	..	..	67	2	5	11

T. Dixon.. .. 51 1 17 0
 18 16 1

(2) The rebate on the bill discounted is £17 18 7
(5 % on £2,045 3s. 6d. for 64 days)

(3) The interest accrued to date—but not due is

on £4,500 2½ War Stock	29	4	10	
(one quarter less 5 days)				
on Loan to Billbrokers (Bell & Co.) ..	1	8	10	
(£5,000 for 3 days at 3½ %)				
on Loan to Stockbrokers (Holls & Co.) ..	0	18	6	
(£3,000 for 3 days at 3½ %)				
on Advance on Consignment (C. Binns) ..	0	10	2	
(£1,370 for 3 days at 4½ %)				
on Loan (J. Bean)	0	11	2	
(£1,500 for 3 days at 4½ %)				
				£32 13 6

(4) No interest is to be calculated on the Branch Current Accounts.

(5) The combined net profits of the branches is £402 11s. 2d. divided thus :

Thane	53	0	0	
Launceston	67	0	0	
York	36	11	2	
Ely	45	0	0	
New York and foreign	201	0	0	
				£402 11 2

(The respective branches debit their Profit and Loss Accounts and credit Head Office Current Account, the Head Office debiting the branches and crediting Profit and Loss Account.)

GENERAL BALANCE SHEET : ITS PREPARATION.

Head Office Balance Sheet.—

Proceeding to combine the three sets of premises before stated—viz., the balances existing on the night of the 27th December, the alterations made in them by the transactions on the 28th, the further alterations caused by the reckoning of interest, &c., between the 28th and 31st December—the reader will find that at the 31st December the Trial Balance of the Head Office books, and consequently the Balance Sheet, will appear in detail as follows:—

107

* This Deduction of a Credit Balance is allowable, as the whole item of Balances on Branch Accounts is subject to the variations dealt with in the next paragraph.

Finally, assume that the Balance Sheets of the branches, when combined, show the following results, after debiting their respective Profit and Loss Accounts with the profits they have earned (in total £402 11s. 2d.), and crediting their Head Office Current Accounts.

Combined Branch Balance Sheet.—

BRANCHES COMBINED BALANCE SHEET.*
December 31st.

	£	s	d		£	s	d
Current Accounts, Deposits, Letters of Credit, &c. . . .	13,004	8	10	Cash in Hand.. .. .	3,248	1	2
Head Office Current Ac- count	724	6	1	Own Notes	230	0	0
				Loans to Customers	8,740	1	4
				Bills Discounted	1,510	12	5
	£13,728	14	11		£13,728	14	11

* The details showing how these figures are prepared from the Branch returns will probably be shown in a Balance Book. The Head Office balances may be listed in this book as well.

The Head Office finds there are three items in transit—viz., a credit to New York (£104 3s. 4d.), and one to Thame (£55) from York. Both of these it adds to the Current Accounts, while it deducts a debit to Thame (£99 4s. 5d.) from Current Accounts.

Balance Account.—

The laws of several Latin countries require all balances to be transferred by Journal entry at the closing date into a Balance Account, being written back on the first day of the new period. The utility of so doing is found to be so slight that the practice is generally discarded in this country in favour of showing on each account the balance remaining on it, and entering in a separate book (the Balance Book) the list of these balances.

General Balance Sheet.—

Combining, now, the Balance Sheet of the Head Office and of the branches, and omitting the balances due from Head Office to branches, and *vice versâ*, the summarised form of accounts will appear as follows, and be so issued to the shareholders and customers of the bank:—

BALANCE SHEET, 31st DECEMBER.

	£	s	d		£	s	d
To Capital authorised £50,000				By Cash in hand and at Bank of England	7,846	8	8
" Capital paid up, 1,600 £20 shares, £5 paid	8,000	0	0	" Money at Call and short notice	8,000	0	0
" Reserve	3,000	0	0	" £4,000 National War Loan Bonds, cost..	4,341	16	6
" Notes in circulation	280	0	0	" Bills discounted, loans to customers, &c.	15,651	11	9
" Current Accounts, Deposits, Letters of Credit, &c.	29,483	13	4	" Liability of customers for acceptances, per contra..	2,541	12	7
" Acceptances	2,541	12	7	" Bank premises ..	5,800	0	0
" Profit and Loss Account—							
Balance available for distribution	876	3	7				
" Contingent Liability Bills, rediscounted £5,000							
	<u>£44,181</u>	<u>9</u>	<u>6</u>		<u>£44,181</u>	<u>9</u>	<u>6</u>

Both the liquid resources of the bank (£15,846 8s. 8d.) and the investments and premises (£10,141 16s. 6d.) show a very high percentage to the deposits, &c. (£32,305 5s. 11d.).

An analysis of the Balance Sheets of ten each of the principal London and Country Banks in 1902 shows the following results (the figures indicate millions of pounds):—

<i>Liabilities.</i>			Metropolitan.		Country.
Paid-up Capital and Reserves	..	..	29·2	..	13·7
Deposits, Acceptances, &c.	..	..	227·1	..	76·6
Net Profits	..	..	1·6	..	·6
			<u>257·9</u>	..	<u>90·9</u>
<i>Assets.</i>					
Cash in hand and at Bank of England	..		35·9	..	} 14·1
Cash at Call or Short Notice	..	..	32·8	..	
			<u>68·7</u>		
Government and other Securities	..		40·9	..	17·3
Bills Discounted, Loans and Advances	..		143·0	..	57·7
Premises, &c.	..	..	5·3	..	1·8
			<u>257·9</u>	..	<u>90·9</u>

Profit and Loss Account.—

Many banks do not publish a Profit and Loss Account. As the manner of its preparation does not differ from that of a

trading company having branches it is not here reproduced ; but the reader can, from the information already supplied, prepare one showing the profit of £876 3s. 7d.

STATUTORY STATEMENT.

In accordance with Section 44 of the Companies Act, 1862, every limited banking company shall, before it commences business, and also at the first Monday in February and the first Monday in August in every year during which it carries on business, make a statement on the form marked D in the first schedule to the Act, or as near thereto as circumstances will admit, and a copy of such statement shall be put in a conspicuous place in the registered office of the company, and in every branch office or place where the business of the company is carried on. The penalty for non-performance is £5 per day on the company and on every director or manager who knowingly and wilfully permits it.

The figures of the Balance Sheet will appear in the following manner in Form D. :—

The Capital of the Company is £50,000, divided into 2,500 shares of £20 each.

The number of Shares issued is 1,600.

Calls to the amount of £5 per Share have been made, under which the sum of £8,000 has been received.

The Liabilities of the Company on the first day of January were :—

Debts owing to sundry persons by the Company.

On Judgment	nil
On Specialty	nil
On Notes or Bills	£2,821 12 7
On Simple Contracts	£29,483 13 4
On Estimated Liabilities	nil

The Assets of the Company on that date were :—

Government Securities (£4,500 War Loan Bonds)	£4,341 16 6
Bills of Exchange and Promissory Notes (and Loans to Customers, &c.*)	£18,193 4 4
Cash at Bankers (and Money at Call and Short Notice*)	£15,846 8 8
Other Securities	—
(Bank Premises*)	£5,800 0 0

* These words are not in the official form.

CHAPTER VI.

CHECKING, INSPECTION, AND AUDIT.

THE reconciliations between the various books of the bank which have been exemplified or referred to in the previous pages will, if correct, prove the arithmetical accuracy of the books. Other checks and tests must be applied to ensure that no frauds or embezzlements are committed by the staff, and that no clerical mistakes are made. The result of the latter to the bank may be quite as serious as the former. A customer whose credit balance is called £1,000 less than it really is (because that sum has been posted to another man's account) will be justly offended if, in consequence thereof, his cheques are returned unpaid.

These checks and tests are applied by three classes of people—

- (1) The bank's customers.
 - (2) Its own staff.
 - (3) Its professional auditors.
-

(1) BY THE CUSTOMER.

He is informed as frequently as he wishes of the state of his account as appearing in the bank's books, thus enabling him to compare this with his own records, and so to point out any error or omission. He is furnished with this information by means of Pass Books ("Customer's Books").

Pass Book.—

A Pass Book is a book in which is entered a copy of the Customer's Account as it appears in the bank's books. It is written up usually direct from the Ledger Account, debits being checked with the cheques drawn by him, &c., and credits with the paying-in slips, &c. To simplify the customer's work of comparison, most banks now reverse the sides in the Pass Book—that is, the credits in the Bank's Ledger appear as debits in the Pass Book, and *vice versa*. By this means the customer is enabled to find the items appearing on the debtor side of his Cash Book also on the debtor side of the Pass Book, and the credits in the one on the credit side in the other. In this case the Pass Book would be headed:—

THE BANK.

Dr. to W. THOMSON.

Receipts by the Bank | Payments by the Bank

Some banks, however, adhere to another method. They show an exact copy of the account as it appears in the bank's books without reversing the sides. One reason why this method is still in vogue is that customers who speak of a sum lying to their credit at their bankers will expect to see a credit balance on their Pass Book. In such cases the Pass Book heading is the reverse of that just stated. It is—

W. THOMSON.

In account with the Bank.

Payments by the Bank | Receipts by the Bank

Statements of Account to Agents, &c.—

Where Pass Books cannot conveniently be used, periodical statements of account are generally sent. A country bank is generally supplied weekly by its London agent with a copy of the cash transactions of the week, and at longer intervals with a statement of all transactions, including bills not due, advices

unpaid, and other outstanding matters. Correspondents are usually asked to acknowledge in writing the accuracy of the statement that is sent to them.

Certifying the Customer's Balance.—

A further check lies in the practice, now very common, of asking the bank periodically to certify to the customer (his accountant or auditor) the balance shown by the bank's books to be due to or from the customer. As it affords a useful check on the bank's bookkeeping it is not a practice that bank managers discourage.

(2) BY THE BANK'S OWN STAFF.

Every docket or other record from which an entry has been made in a subsidiary Ledger has the Ledger folio placed on it by the Ledger clerk. At the end of the day, the folios so placed on the dockets are recorded against the entry in the original Departmental Register. Next morning, that part of the staff called "examiners" or "checkers" call over the entries in the Departmental Registers direct to the Ledger Accounts, or else the Current Accounts Debit and Credit Analysis Books to the Ledgers, with the Departmental Registers as an additional check. It is best to check the items in consecutive order rather than to finish calling over one account completely.

Examiners: their Duties. —

In this work they may be assisted by the Ledger clerks, but no Ledger clerk will call a Ledger that he keeps. The examiners also compare with the Ledger Accounts the Pass Books, after which the latter can be handed to the customers. Similar methods being followed with other receipts and payments, the grand totals are finally checked into the Journal and thence into the General Ledger. Where there is a small staff the checking may be done by the manager or the sub-manager. It will be noticed that this test can only establish the

arithmetical accuracy of the books, and still leaves open to the possibility of misuse or error the assets and liabilities represented by the books as existing. To guard against this danger further checks are exercised by inspectors and managers.

Inspectors: their Duties.—

They visit the branches, generally without previous notice, and examine not only as to the proper carrying out of all orders given by Head Office, and as to the information contained in the branch returns and advices, referred to in Chapter IV., being in accord with the branch records, but also by a detailed inspection see that these records are in accord with vouchers and other original documents, and finally verify, by enumeration or examination, the existence of the assets and liabilities shown in the books.

This latter work will probably comprise—

- (1) Counting cash at the moment of arrival, and agreeing the total with the balance shown on the Cash Book.
- (2) Checking the bills in hand, and agreeing the total with the Bills Discounted and Bills for Collection Accounts in the General Ledger. As an additional precaution, Head Office should hold until maturity all bills received at branches.
- (3) Examining the securities hypothecated to the bank, or held for safe custody, and comparing them with the Securities Registers.
- (4) Enquiring as to whether the value of the former sufficiently covers the corresponding loan or overdraft.
- (5) Receiving Pass Books direct from the customers, and comparing them with their Ledger Accounts. (This is especially useful where the Pass Book is the customer's only receipt, and transactions are few, as with Lodgment Accounts, see page 48).

- (6) Seeing that the local examiners do their work efficiently.
- (7) Testing and criticising the discipline of the branch.

The execution of these and any other duties they are instructed to perform will be completed by reports addressed to the Board of Directors.

Managers.—

Having the control of and responsibility for everything at his branch, the manager will see that all the work is properly done, and should also make surprise tests of the cash, bills, and other assets.

(3) BY THE PROFESSIONAL AUDITORS.

The examiners, inspectors, and managers of a bank are subject to the control of the Board of Directors, and their responsibility ends with their reports to it. The Board, at its discretion, may adopt, ignore, or act contrary to the report.

Professional Auditors: their Responsibility.—

To check any abuse of this power by a Board, the Companies Act of 1879 has made compulsory on every banking company registered under its regulations the appointment of auditors, who have no responsibility to the directors, but only to those who appoint them—the shareholders of the bank. That this responsibility is a very real thing no one who has watched recent legal decisions affecting bank auditors can doubt; still less can anyone do so who is practically acquainted with the work of a bank audit. The auditor must not withhold from the shareholders information that they should be given, yet publication to them is practically publication to the world, and he must not, without grave reason, act so as to prejudice the credit of the bank. The shareholders and the customers of the bank join in demanding of him prudent action in this respect; and, although he owes no duty to the latter, he may well remember that they

may be greatly affected by any damage done to the bank's credit. Events have shown that the difficulty of their position can so impress itself on auditors that the fear of damaging the credit of a bank will cause them to pass, without adequate comment, the doubtful account in the days when it still could be dealt with without jeopardising the existence of the bank. Modern banking has learned by experience the danger of the "skeleton in the cupboard"—the huge overdraft, larger, perhaps, than the paid-up capital of the bank—and has found it better, if an overdraft must be large, to share it with another bank (or, in the extreme case, allow it to be transferred elsewhere while it can still be transferred) rather than suffer it to transgress sound banking rules to the point of imperilling the financial stability of the whole institution. In saying this, there is not necessarily any desire to interfere with the responsibility of the bank's directors and managers for the investment and loan of the bank's funds. An auditor cannot say to them, "You must not do this"; he can say, "In my opinion you should not."

Their Duties.—

The professional auditor cannot check the whole of the work of a bank since his last visit. The Companies Act, 1879 (42 & 43 Vict., c. 76), has recognised the impossibility of this, and has enacted what he is required to perform. Where this is completely and efficiently done, it affords as satisfactory an examination of the bank's position as anything short of omniscience and a continuous inspection can do.

Clause VII. provides—

"(1) Once at the least in every year the accounts of every banking company registered after the passing of this Act as a limited company shall be examined by an auditor or auditors, who shall be elected annually by the company in general meeting.

“(2) A director or officer of the company shall not be capable of being elected auditor of such company.

“(3) An auditor on quitting office shall be re-eligible.

“(4) If any casual vacancy occurs in the office of any auditor, the surviving auditor or auditors (if any) may act, but if there is no surviving auditor the directors shall forthwith call an extraordinary general meeting for the purpose of supplying the vacancy or vacancies in the auditorship.

“(5) Every auditor shall have a list delivered to him of all books kept by the company, and shall at all reasonable times have access to the books and accounts of the company; and any auditor may, in relation to such books and accounts, examine the directors, or any other officer of the company, provided that if a banking company has branch banks beyond the limits of Europe it shall be sufficient if the auditor is allowed access to such copies of and extracts from the books and accounts of any such branch as may have been transmitted to the Head Office of the banking company in the United Kingdom.

“(6) The auditor or auditors shall make a report to the members on the accounts examined by him or them, and on every Balance Sheet laid before the company in general meeting during his or their tenure of office; and in every such report shall state whether, in his or their opinion, the Balance Sheet referred to in the report is a full and fair Balance Sheet properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, as shown by the books of the company.* and such report shall be read before the company in general meeting.

* The Companies Act, 1900, Section 23, enlarges this declaration by requiring auditors to certify that all their requirements have been complied with.

“(7) The remuneration of the auditor or auditors shall be fixed by the general meeting appointing such auditor or auditors, and shall be paid by the company.”

Clause VIII. provides—

“Every Balance Sheet submitted to the annual or other meeting of the members of every banking company registered after the passing of this Act as a limited company shall be signed by the auditor or auditors, and by the secretary or manager (if any), and by the directors of the company, or three of such directors at the least.”

In pursuance of these instructions, the auditor will, at the closing date, visit the Head Office, and—

- (1) Satisfy himself as to the existence of the cash and cash articles of the bank. Needless to say, care must be taken that the same asset is not produced twice, or presented again in another form.
- (2) Examine the bills in hand. If any are lodged with other parties these should certify to their holding them for the bank. An inspection of the Bills Received for Discount Ledger to see who is afforded accommodation, and to what extent, is useful.
- (3) Verify and inspect the securities, viz., those held for the bank's own account, those lodged as cover for loans, and those held for safe custody. Unpaid coupons should be attached to bonds. The quotations of Stock Exchange securities should be checked to see if the cover is adequate. Where stocks are inscribed—*e.g.*, Consols and London County Council Stock at the Bank of England, various Australian Stocks at the London and Westminster Bank, &c.—the bank which inscribes should be asked to certify direct to the auditor that the stock is registered in the bank's name.

(Should the stock stand in the names of a bank's manager and security clerk, or of two directors, these should state that they hold the stock for the bank.) Since the Courts decided in *Simmons v. London Joint Stock Bank* that a bank was not legally entitled to a security, unless the Register of the company which issued the security showed it to be the owner, the practice has become general of transferring securities offered as a cover for loans into the names of the bank or its nominees.

- (4) Scrutinise the loans and overdrafts, and examine the directors and other officers as to their reasons for considering that the reserves are ample for all contingencies.
- (5) Check the Current, Deposit, Share, and other Subsidiary Ledger balances. Balances at the Bank of England, or due to or by correspondents, will be certified by them.
- (6) Test and verify according to their nature the items recorded as in transit.
- (7) Vouch the Expenditure Accounts, and examine the sources of the bank's profits.
- (8) Check the General Ledger balances against the totals already verified as the result of operations (1) to (7).
- (9) Perform the same work at the branches—
 - (a) by a personal visit to each; or
 - (b) by a test inspection of some of them.

The growth and combination of banks to an extent that the Act of 1879 can hardly be supposed to have foreseen has made either the alternative (b), or a clear statement to the shareholders that the branch returns certified by the manager have been accepted unaudited, the method most frequently adopted with regard to the audit which the Act enjoins of branches

within the limits of Europe. The examination of a return is not the same as the examination of the books from which that return should be an extract, and any departure from the instructions contained in the Act is a matter for serious consideration, and for decision according to the facts of the case.

A surprise audit differs from the foregoing chiefly in the fact that the auditor's visit is made without previous notice.

Extra-European Branch Returns.—

As regards branches beyond the limits of Europe, their returns should be certified by the local manager and accountant, and should be inspected to see the nature of their assets and liabilities, the progress that they disclose, and the manner in which they fit into the Head Office books. To check the latter operation when the branch records its transactions in another currency, the Head Office should convert all the branch liabilities and assets at the demand drawing rate ruling on the closing date for transactions between the Head Office and the branch. Any difference which exists between the figure so obtained and the branch balance in the Head Office books should, subject to items in transit, be carried to Profit and Loss Account as profit or loss on exchange. The individual groups of items of branch assets and liabilities are converted into sterling at the same drawing rate of exchange. The resulting amounts, added to the corresponding assets and liabilities of other branches and of Head Office, make up the whole Balance Sheet in the manner shown in the previous chapter.

All matters respecting which the auditor has asked for information, or for some additional proof, having now been settled, he will append his certificate to the Balance Sheet, which, with the directors' report (if any), will then be submitted to the general meeting of shareholders for adoption.

GLOSSARY.

ACCEPTANCE (*on a bill*). The signification by the drawee of his assent to the order of the drawer—Bills of Exchange Act, Section 17. The assent must be in writing, signed by the drawee, and expressed to be paid in money.

(*General*) An acceptance without qualification to the order of the drawer.

(*Qualified*) An acceptance which in express terms varies the effect of the bill as drawn—Bills of Exchange Act, Section 19 (2).

(*For Honour*) The engagement to pay a bill for the honour of a party liable on it, provided it was not accepted by the drawee on presentation to him.

(*Of Shares*) The act of consenting to take up new shares in a company in accordance with the terms of the letter of allotment (*q.v.*) by signing a form of acceptance.

ACCOMMODATION BILL. A bill of exchange on which one person has signed as drawer, acceptor, or endorser, without receiving value therefor, and for the purpose of lending his name to some other person—Bills of Exchange Act, Section 28.

ACCOUNT CURRENT. An open account to which debits and credits are constantly placed and no final settlement made. The oldest credit sets off the oldest debit—*Clayton's* case. Accounts current at different branches may be set off against each other.

ACCOUNT DAY. See Settling Day.

ACCOUNT PAYEE. An instruction placed on a cheque directing the receiving bank to place the whole amount only to the credit of the account to which the cheque is made payable.

ACCOUNT SALES (A/S). A detailed statement showing the amount realised on goods sent for sale, and the commission and charges incidental to the sale.

ACTION. A law-suit—that is, the process by which a demand to enforce a right is made in a Court of Justice.

A/D. After date.

ADMINISTRATION, LETTERS OF. The document issued by a Court of Justice authorising the dealing with the estate of a testator having no competent executor, or having died intestate—*i.e.*, without making a will.

AD VALOREM. A term used to denote the distribution of a charge in proportion to the value of certain goods.

AFFIDAVIT. A written declaration, signed and made upon oath before a person authorised to administer oaths. It differs from a deposition in not being subject to cross-examination.

AGENCY. The relationship existing between the person who undertakes to transact some business for another in the latter's name and on his account, and that other person.

ALLOCATUR. The allowance by an officer of a Court of Justice of a charge or proceeding; mainly applied to certificates given by the Taxing-Master allowing solicitors' and other professional men's costs in legal cases.

ALLONGE. A paper attached to a bill of exchange, to receive endorsements too numerous to find room on the bill itself.

AMALGAMATION. The act of combining several undertakings together.

AMORTISATION. The extinction of a debt, chiefly by means of a sinking fund (*q.v.*).

ANNUITY. A sum payable out of personalty, or out of personalty and realty jointly, for a stated period or in perpetuity. See Rent-charge.

ANTE-DATE. The act of affixing to a document a date prior to that of the real day on which it was made.

APPRAISER. A person appointed and sworn to fix the value of goods and lands.

APPRECIATE. To become of greater value.

APPROPRIATION OF CREDITS. Rule: "The debtor must notify his intention before or at the time of payment"—*Mayfield v. Walsley*. If he does not, the creditor may apply it as he likes, even towards settlement of a statute-barred debt.

ARBITRAGE. The operation of buying or selling in order to profit by a difference temporarily present, or expected in the rates of exchange ruling between one place and another.

ARBITRATION. The settlement of a dispute by one or more persons appointed by the contending parties to it. The decision of the arbitrators, or of the umpire whom they appoint, is called the *award*.

ARTICLES OF ASSOCIATION. A code of rules approved by the shareholders of a joint stock company for its government. Their scope is limited by the Companies Acts. See Memorandum of Association.

ASSETS. Property of any sort—realty, personalty (*q.v.*).

ASSIGNEE. A person to whom an assignment is made. A person appointed by another to perform some function for him—*e.g.*, a trustee in bankruptcy.

ASSIGNMENT. A transfer of an interest in or title to goods or lands. The assignment of insurance policies, and of mortgages of ships, ranks by priority of notice to the insurance company and the port registry office respectively; assignment of shares by priority of assignment.

ATTESTATION. A solemn written declaration in witness of a fact.

ATTORNEY, POWER OF. An authority under seal empowering one person to act on behalf of another.

AVERAGE. The mean proportion of unequal numbers.

(*General*) A contribution made by the owners of a ship, its cargo, and freight, or their underwriters, towards the loss caused to some of them by the sacrifice of their property for the benefit of all.

(*Particular*) A contribution made by those on whom the loss falls, or their underwriters, towards the loss of cargo sacrificed.

BACKWARDATION. A term used on the Stock Exchange to denote the charge paid by those who have sold stocks they do not desire to deliver. The opposite to contango.

BAILMENT. A delivery of goods in trust upon a contract that the trust shall be faithfully executed.

BALANCE CERTIFICATE. The document issued by a company to a shareholder who has sold a part only of the shares or stock enumerated on his certificate, which he then surrenders.

BALANCE SHEET. A statement showing the capital, liabilities, and assets of a business or person at one particular moment.

BANK CHARTER ACT. 7 & 8 Vict., cap. 113 (1844).

BANK HOLIDAYS. In England and Ireland, Easter Monday, Whit Monday, first Monday in August, and the 26th December. If the latter day is a Sunday, then the 27th December—Bank Holiday Act, 1875, Section 2.

In Scotland, New Year's Day, or Monday following, Good Friday, first Monday of May, first Monday of August, Christmas Day, or Monday following—Bank Holiday Act, 1871, Section 1.

Bills due on these days are paid on the following day; those falling due on Sundays, or days other than the above, are payable the day before. Where the Sunday and the Bank Holiday clash—*e.g.*, where 26th December is a Saturday—the Bank Holiday prevails, and the bill is payable on the next business day.

Bank Holidays, Sundays, Good Friday, and Christmas Day are non-business days—Bills of Exchange Act, Section 92.

BANK OF ENGLAND NOTES. "The promissory notes of the Governor and Company of the Bank of England payable to bearer on demand"—Bank Charter Act, Section 28. The notes issued are £5, £10, £20, £50, £100, £200, £500, £1,000. It is not lawful for the Bank of England to retain in its Issue Department at any one time an amount of silver bullion exceeding one-fourth part of the gold coin and bullion at such time held by the Bank of England in its Issue Department—Bank Charter Act, Section 3.

BANK OF ISSUE. A bank that may lawfully issue its own bank notes.

BANK NOTE. A negotiable instrument. "Any bill of exchange or "promissory note issued by any banker, other than the Bank of "England, for the payment of money not exceeding one hundred "pounds to the bearer on demand"—Stamp Act, 1891, Section 29 (a). (b) contains a long further reservation: A bank note is money—*Miller v. Race*.

BANK NOTES, LIMITATIONS ON ISSUE. Scotch and Irish banks issuing notes in excess of their authorised issue must keep gold or silver to the amount of the excess at their principal place of business—Scotch and Irish Bank Acts (8 & 9 Vict., cap. 38 & cap. 37).

In the case of the Bank of England Notes, the gold is specially set aside to meet the notes, and does not form one of the general assets of the Bank. See Fiduciary Issue.

English country banks cannot issue notes in excess of their authorised issue—Bank Charter Act, Section 13.

Bank of Eng'land notes are not legal tender in Scotland and Ireland.

BANK PLACE. A town where the State's banker has an office.

BANK POST BILL. A bill of exchange issued by a bank, and not payable on demand. Generally applied to those issued by the Bank of England, which are payable at seven days' sight without days of grace.

BANK RATE. The minimum rate at which the Bank of England will discount, for other than its regular customers, approved bills of exchange.

BANK RETURN. The weekly statement of the liabilities and assets of the Bank of England, both as to its Issue and its Banking Department.

BANK STOCK. The capital stock issued by the Governor and Company of the Bank of England to its proprietors.

BANKER. A dealer in money. "Any person carrying on the business of banking, whether by the issue of bank notes or otherwise"—Bank Charter Act, Section 28. His relation to his customer is that of debtor to creditor (*Robarts v. Tucker*); if the customer's account is overdrawn, that of a creditor to his debtor—*Cunliffe Brooks v. Blackburn Benefit Society*.

BANKER'S PAYMENT. An authority by one bank to another to receive a stated sum on presentment through the Clearing House. It is not subject to stamp duty.

BANKRUPTCY. The state of being unable to pay one's debts, or so acting as to defeat, or delay, or fraudulently prefer creditors. It results in being made a bankrupt, or assigning the assets to a trustee under a deed of assignment or inspektorship.

BARGAIN. A Stock Exchange term for a contract to buy or sell stocks.

BARING CRISIS. The period of uncertainty mainly caused by fear as to the financial position of the firm of Baring Bros. & Co. It was most acute between the 15th and 19th November 1890. The Bank of England, under guarantee of other banks and financial houses, undertook to make advances to enable Messrs. Baring to discharge at maturity their liabilities as existing on the night of the 15th November 1890, the firm's assets being hypothecated as security. A limited company was formed at the same time to continue Messrs. Baring's business of bankers and financial agents.

BARTER. The act of trading by exchange of commodities.

BEAR. A Stock Exchange term for an operator who tries to reduce the price of stocks, generally by selling what he does not hold, in the hope of buying it back at the lower price before settling day or carrying over the bargain.

BILL BROKER. A person who buys or sells bills of exchange.

BILL OF ENTRY. The document delivered at the Customs House by an importer describing and declaring the goods he "enters"—that is, lands—and where they were shipped.

BILL OF EXCHANGE (B/E). A negotiable instrument. "An unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time a sum certain in money to or to the order of a specified person or to bearer"—Bills of Exchange Act, Section 3.

BILLS OF EXCHANGE ACT. 45 & 46 Vict., cap. 61 (1882).

BILL OF LADING (B/L). A document of title to goods acknowledging their shipment, and stating what is purported to be shipped, and the conditions under which the shipment is accepted by the carrier. Usually it is signed by the captain of the ship, and made out in triplicate. Though not legally a negotiable instrument, it is generally treated as if it were; but see *Meyerstein v. Barber* (1870) and *Glyn v. East and West India Docks Co.* (1882), also Factors' Act, Sections 1 (4) and 2 to 10.

BILL OF SALE. A document transferring ownership in personalty, but not the possession.

BILL PAYABLE (B/P). To the acceptor, a bill of exchange payable by him.

BILL RECEIVABLE (B/R). To the drawer or the holder, a bill of exchange payable to him, or endorsed in his favour.

BIMETALLISM. The system of having coins of two different metals which are both legal tender to any amount.

BLACK FRIDAY. 11th May 1866. The day following the suspension of payment by Overend, Gurney & Co.

BLANK ENDORSEMENT. On a cheque payable to order, a signature over which no special instruction as to whom to pay is placed.

BLANK TRANSFER. A deed of transfer of stocks or shares which is signed, but otherwise left incomplete. Its legality is dubious.

B.P.F.— *Bon pour francs*—.

BOND. A document in which a person or body promises under hand and seal to perform certain acts—*e.g.*, to pay money. See Bottomry, Debenture, Lloyd's, Respondentia.

BONDED GOODS. Goods subject to customs duty, and warehoused under the control of the customs authorities till the duty is paid.

BONUS. An extra distribution, immediate or deferred, made either in cash, shares, or scrip.

BOOKKEEPING. The science of correctly recording in accounts ascertained facts to which monetary values can be assigned.

BOTTOMRY BOND. The document pledging the keel or bottom of a ship as security for borrowed money.

BOUNTY. A premium given to encourage an industry.

BOURSE. A Continental term for the meeting place of merchants, stock-brokers, and business men generally. In London each trade has its own meeting place.

BROKER. Strictly an agent employed to negotiate on behalf of his principal. He does not act in his own name, or have possession of that which he deals in. See *Baring v. Corrie*. He is paid by a commission—Brokerage. For other uses of the term "broker" see Bill Broker, Stockbroker.

BULL. A Stock Exchange term for an operator who tries to increase the price of stocks, generally by buying more than he wishes to take up—*i.e.*, pay for—in the hope of selling it at an increased price, or carrying over the bargain.

BULLION. Uncoined gold or silver.

BUYING IN. The purchase on the Stock Exchange by its official broker of stock which a member has failed to deliver within ten days of settling day.

C.I.F., C.F.I. Cost, Freight, and Insurance.

CAISSE. A Cash-box.

The cash in the box.

A financial institution.

CALENDARS. The daily lists showing the balances on current accounts provided for the information of paying and clearing cashiers.

CALL. The amount demanded from a shareholder towards payment of the balance remaining unpaid on the shares or stock that he holds.

CAPITAL. The surplus of assets over liabilities.

Authorised Capital. The maximum amount of capital which a company is allowed by its regulations to issue to shareholders.

Subscribed Capital is the capital actually issued reckoned at its (nominal) face value.

Paid-up Capital. The capital for which a company is liable to its shareholders.

Uncalled Capital. The difference between the subscribed and paid-up capital. See page 57.

- CAPITAL EXPENDITURE.** Outlay on constructions of a permanent character. Outlay yielding a recurring income.
- CARAT.** The weight that expresses the fineness of gold. There are 24 carats in any mass of gold. If two of them are alloy the mass will be described as 22 carat gold.
- CARRY OVER.** The operation of withholding the settlement of transactions on the Stock Exchange until the settling day subsequent to that originally agreed upon between the parties.
- CASH ARTICLES.** Cheques received by a cashier, and orders for the receipt of money without previous notice to the payer.
- CASH CREDIT.** An arrangement by which a bank advances up to a limit such sums as the customer requires on the security of his own indemnity and the guarantee of two or three other persons.
- CEDULA.** A certificate to bearer issued in lieu of cash to persons mortgaging their property to the land mortgage banks of the Argentine Republic. Some of the Provincial Governments of the Republic are responsible for the operations of their mortgage banks.
- CENT.** One-hundredth part of a dollar; one-hundredth part of a guilder. A centime is the hundredth part of a franc.
- CERTIFICATE.** A written declaration under hand or seal substantiating a fact.
- CERTIFICATE OF INCORPORATION.** A certificate issued by the Registrar of Joint Stock Companies to the effect that the company named therein is duly registered under the Companies Acts. It is now conclusive evidence of the validity of the registration under those Acts—Companies Act, 1900, Section 1 (1).
- CESTUI QUE TRUST.** Those who are entitled to the benefit of, or interested in property held in trust.
- CHAIN RULE.** A method of arranging the terms of exchanges in varying currencies so as to reckon quickly their correct equivalent. Thus, the question if one rupee exchanges for 1s. 4d., and 48 pence for one dollar, how many dollars will exchange for 50 rupees, is thus set out.
- How many dollars = 50 rupees
if 1 rupee = 16 pence
and 48 pence = 1 dollar ?
- $$\frac{50 \times 16 \times 1}{1 \times 48} = 16\frac{2}{3}; \text{ i.e., } 16\frac{2}{3} \text{ dollars exchange for 50 rupees.}$$
- CHANGE.** Change need not be given, hence a demand for change may invalidate a tender of money in settlement of a debt. See *Betterbee v. Davies*, and other cases.
- CHARGE.** The cheques, &c., sent into the clearing, with the list enumerating them.
- CHARTERED BANKS.** Banks incorporated by Royal Charter, with limited liability.
- CHARTER PARTY.** A document contracting for the hire of a vessel upon stated conditions.

CHATELS. Movable (personal) or immovable (real) goods that are not of the nature of freeholds.

CHEQUE. A negotiable instrument, except when crossed "not negotiable." "A bill of exchange drawn on a banker payable on demand"—Bills of Exchange Act, Section 73.

CHEQUE RATE. See Short Exchange.

CHOSE IN ACTION. "All personal chattels which are not in possession"—*Colonial Bank v. Whinney*—e.g., shares.

CIRCULAR NOTE. A written request issued by a bank to any of its agents to pay a specified sum to a specified person.

CLEAR. The act of exchanging drafts with other banks at the Bankers' Clearing House.

The permission given by the Custom House to a vessel to sail upon certain conditions having been carried out.

CODE. A body of laws.

A collection of words representing sentences. Chiefly used in telegraphy, to ensure secrecy and economy.

CODICIL. A solemn document, duly attested, altering a will.

COGNOVIT ACTIONEM. The written acknowledgment by a defendant of a plaintiff's claim, and his undertaking to suffer judgment to be entered for it.

COLLATERAL SECURITY. Security other than the principal security lodged for the performance of contracts.

COMMISSION. An allowance made to an agent for conducting business for his principal.

COMPOSITION. The amount which a debtor offers to his creditors in settlement of his debts.

CONSIDERATION. "That which is actually given and accepted in return for a promise"—*Thomas v. Thomas*. A present, act, or forbearance; a promise to do or to forbear. It must have value.

CONSIGNMENT. Goods sent at the sender's risk to an agent for sale by him.

CONTANGO. A Stock Exchange term denoting the interest paid for carrying over a bargain until the next settling day by those who have bought stock they do not desire to take up (*i.e.*, pay for). It also denotes a sale which is carried over in a similar manner by paying backw ardation (*q.v.*)

CONTINGENT LIABILITY. The liability of a person which only becomes enforceable against him in certain events.

CONTRACT. An undertaking enforceable by law.

CONTRACT NOTE. A statement of the terms of a bargain between one person and another.

CONTRIBUTORY. "Every person liable to contribute to the assets of a "company registered under this Act in the event of the same being "wound up"—Companies Act, 1862, Section 74.

- CONVERTIBLE PAPER.** Notes that can be changed at the will of the holder for the amount of coin they represent.
- COPYHOLD PROPERTY.** Land held on tenure by copy of the Court Roll of the lord of the manor.
- CORNER.** The operation of obtaining command of so much of a commodity as is sufficient to control the price of all that is available for sale in the market.
- COUNCIL DRAFTS.** Drafts drawn in London on the Indian Government by the Secretary of State for India in Council. They go to discharge the expenses and interest payable by the Indian Government in Great Britain.
- COUPON.** A certificate attached to bearer bonds entitling the holder to interest as it falls due on the bonds. Coupons for the whole term of the currency of the bond are often attached at the time of its issue. A crossed coupon is not good delivery on the Stock Exchange.
- COURSE OF EXCHANGE.** A price list of foreign bills. Issued in London on Tuesdays and Thursdays by dealers in foreign bills.
- COVER.** The security deposited to ensure the repayment without loss of sums borrowed.
- CREDITOR.** One to whom a debt is due. In many foreign countries the local creditors of a business have a charge, ranking prior to that of foreign creditors, on the local assets.
- CRORE.** One hundred lacs of rupees (1,00,00,000).
- CROSSING.** The means by which a cheque is made payable to a banker only—Bills of Exchange Act, Section 76.
- CUM DIVIDEND, (C/D), CUM RIGHTS.** Terms used to denote that the then accruing dividend or rights to new stock or shares belong to the buyer of the security on which they are due.
- CURRENCY.** The money or money's worth which forms a country's circulating medium of exchange.
The period for which a bill or promissory note is drawn or made.
- DAYS OF GRACE.** The three days after due date allowed in this country for the payment of bills of exchange other than bills payable on demand. (Bank post bills are entitled to the days of grace, but do not take them.) The allowance in foreign countries varies from none to ten days.
- D/D. Days' date.**
- DEAD ACCOUNT.** An account on which there are no transactions.
An account standing in the name of a deceased person.
- DEBENTURE.** "A document which creates a debt or acknowledges it."
Generally used to denote a security for a loan or mortgage of certain assets. If these assets are not secured by a deed vesting the legal estate in them in trustees, there is no specific lien. Debentures are usually issued in bonds of fixed amount, and transferable by delivery, but sometimes by deed. Payment of interest is generally obtained by coupon.

DEBENTURE STOCK. The same as the foregoing, except that it is not issued in fixed amounts, and transfer of ownership is made by registration of a deed in the books of the company issuing the stock. Payment of interest is generally obtained by warrant.

DEFERRED SHARES. Shares, the rights of which as to dividend or capital are postponed till certain stipulated events have occurred to shares ranking before them.

DEL CREDERE. An allowance made to an agent, in consideration of which he guarantees punctual payment for goods sold by him for his principal.

DELEGATION. The transfer to another of a debt, or of an authority to act.

DELIVERY ORDER. An order signed by the owner for the delivery to himself or a third person of goods lying at a dock, &c. Its negotiability is governed by the Factors' Act (see Sections 1 (4) and 2-10). It is of little value as security until registered with the party holding the goods.

DEMONETISATION. The act of declaring that certain coins are no longer legal tender.

DEMURRAGE. "The compensation paid by the shipper of goods to the owners of a vessel for his delay in unloading or loading the vessel"—*Harris v. Jacobs*.

The amount of 1½d. per oz. paid to the Bank of England when exchanging gold bullion for coin or notes.

DEPOSITS. (1) Amounts received by banks for a stipulated period, or subject to notice of withdrawal, on which interest is paid. See pages 49-52.

(2) The total amount for which a bank is liable to its customers, including Current and Deposit Account balances.

DEPOSITION. The testimony of a witness either written by himself or supplied from his oral statements. Unlike an affidavit, it is subject to cross-examination.

DISCOUNT. The sum deducted from an account. Thus, cash discount is that deduction which is allowed on a prompt cash payment, or on payment in advance. Trade discount is the deduction allowed to certain customers only—*e.g.*, wholesale dealers on the invoice price of goods. Banker's (commercial) discount is a cash discount calculated on the full value of the sum discounted. True discount is the cash discount calculated on the present value of the sum discounted.

Stocks and shares are said to be at a discount when the market price is below the amount paid up.

DISHONOUR. The non-acceptance or non-payment of a bill or cheque at maturity.

DISTRINGAS. A notice temporarily restraining dealings in stocks or shares registered in a person's name.

DIVIDEND. That part of a company's profit which is distributed to each proprietor in proportion to his paid-up capital and according to the regulations of the company. Generally paid by warrant (which is negotiable), but may be paid by coupon.

The distribution which is made out of the assets of a company in liquidation or a bankrupt to its or his creditors.

DOCK WARRANT. A document given by dock owners or wharfingers acknowledging the holding of specified goods in the name of certain persons. Dock owners can retain the goods until their claims for storing them, &c., are settled. Its negotiability is governed by the Factors' Act (see Sections 1 (4) and 2-10), or by certain Private Dock Companies' Acts.

DOCKET (docquet). A slip used in a bank for recording the passage of entries from one account to another in the books.

DOCUMENTARY CREDIT. See Letter of Credit.

DOMICILE. The place where a bill or other document is payable.

DORMANT ACCOUNT. See Dead Account.

DRAFT. An order by one party to another for the payment of a sum of money held on behalf of the drawer by the drawee. Compare Bill of Exchange.

DRAWEE. The person on whom a bill is drawn.

DRAWER. The person who draws a bill.

DRAWBACK. An allowance of duty to an importer, or his assignee, on exporting goods on which customs duty had been paid.

DRAWING ACCOUNTS. The term used by some banks to designate their Current Accounts.

D/S. Days' sight.

EARNEST. The delivery of a thing by a buyer to a seller as a symbol of the ratification of a contract.

E. & O. E. Errors and omissions excepted.

E. E. Errors excepted.

ELEGIT, WRIT OF. An order of a Court of Justice entitling a judgment creditor to have delivered to him, or sold for his benefit, land belonging to his debtor.

EMBEZZLEMENT. Fraudulent misappropriation of goods, money, or records.

ENDORSEE. The person to whom a bill of exchange, &c., is assigned by endorsement.

ENDORSEMENT—ENDORSATION. The signing of a person's name on the back of a bill prior to transfer to the endorsee. The signer (endorser) remains contingently liable for the due payment of the bill.

EQUITABLE CHARGE. An undertaking to carry out whatever is necessary to create a legal charge on a property.

EQUITY OF REDEMPTION. The advantage allowed to a mortgagor of redeeming lands mortgaged by him.

ESTOPPEL. In law, "An admission of so high and conclusive a nature that anyone who is affected by it is not permitted to contradict it."

EXCHANGE. The rules on which bills (chiefly foreign) are dealt in and valued.

EXCHEQUER BILL. A negotiable instrument. A bill of exchange issued by the British Government. The buyer usually pays to the seller the interest accrued to date. See Treasury Bill.

EXCHEQUER BOND. A bond issued by the British Government for a fixed period, and at a fixed rate of interest.

EX COUPON.	} Terms used to denote that the then accruing
EX. DIVIDEND (xd).	
EX RIGHTS.	
EX ALL.	

EXECUTOR. A person appointed under a will to carry out its conditions. He cannot act till probate of the will is granted.

F.O.B. Free on board.

F.P.A. Free of particular average. See Average.

FACTOR. An agent entrusted with the possession of goods which he is authorised to sell or has a lien upon. He may usually consign for the purpose of sale, raise money on the security of the goods. See "Mercantile agent" in Factors Act, 1889, Section 1.

FREE SIMPLE. Freehold land. All land in Great Britain is held of the Crown, but the conditions attaching to the tenure have been waived or are in abeyance.

FEU. In Scotland, the holding of land under a superior; also applied to the right to receive a feu duty (ground rent) under a lease for building purposes.

FEME COVERT. A married woman.

FEME SOLE. An unmarried woman, or widow.

FICTITIOUS PAYEE. The insertion in a bill of the name of a payee who is non-existent or incapable of endorsing. See *Vagliano Bros. v. Bank of England*. It may then be treated as payable to bearer.

FIDUCIARY ISSUE. An authorised issue—*e.g.*, of Bank of England notes. At the end of 1903 the amount stood at £18,450,000.

FIERI FACIAS (*f. fa.*). An order of a Court of Justice entitling a judgment creditor to have delivered to him, or sold for his benefit, personal property belonging to the debtor.

FLOATERS. British Government and other unimpeachable securities which are transferable by delivery, and circulated to cover short loans in the money market. See page 31.

FLOATING POLICY. A policy of marine insurance, in which the ship which carries the interest insured is not named at the time of the issue of the policy. When the interest becomes insurable under the policy, the name of the ship and the amount insured are recorded on the policy, and a certificate is given attesting the entry. See Name Policy.

FLOTSAM. Goods found floating on the surface of the sea.

FORFEITED SHARES. Shares which are confiscated in consequence of the conditions of their issue not being carried out by the shareholder.

FOREIGN BILL. See Inland Bill.

A FORFAIT. See *Sans recours*.

FOUNDERS' SHARES. Shares allotted to those who have aided in the flotation of a public company. They generally carry special rights.

FREIGHT. The charge made for carriage of goods.

FUNDED DEBT. That part of the National Debt which is charged in perpetuity or for a long period on the public revenues as security to the national creditors. It is paid off out of surpluses in the National Exchequer. See Unfunded Debt and Rentes.

GARNISHEE ORDER. An order of a Court of Justice warning those who are indebted to a debtor that the latter's judgment creditor has attached their debt to answer the judgment.

GOOD DELIVERY. Stock or shares which comply with the rules of the Stock Exchange as to marketability.

GOOD FAITH. "Honest action, whether it is done negligently or not"—Sale of Goods Act, Section 62.

GOODWILL. "The benefit arising from connection and reputation"—Lindley.

The capitalised value of the *clientèle*, or of the earning power of a business.

GREENBACKS. Notes of the Government of the United States, first issued during the Civil War. Other recognised paper currency of the United States are the Treasury notes of 1890, the gold and silver certificates, and the National Banks' notes.

GUARANTEE. "A promise to pay the creditor if the principal debtor makes default"—See *Guild v. Conrad*. See Indemnity.

HERITABLE PROPERTY. A Scotch term for freehold property.

HERITABLE SECURITY. A Scotch term for a mortgage on freehold property.

HOLDER. "The payee or indorsee of a bill or a note who is in possession of it, or the bearer thereof"—Bills of Exchange Act, Section 2.

HOLDING OUT. The lending of a person's credit to a firm of which he is not a partner. See Partnership Act, Part I., Section 14.

HOLDER IN DUE COURSE. The holder of a bill or note who has taken it complete and regular on the face of it, and in accordance with the conditions stated in Section 29 of the Bills of Exchange Act.

HYPOTHECATION. The act of pledging, as security for a debt, property, the possession of which is not parted with. See Pawn.

INCONVERTIBLE PAPER. Notes that cannot be changed at the will of the holder for the amount of coin they nominally represent.

INDEMNITY. "A contract to keep a person who has entered, or is about to enter, into a contract of liability indemnified against that liability, independently of the question whether a third person makes default or not." See *Guild v. Conrad*. See Guarantee.

INDENT. An order received from abroad by a merchant at home. The goods shipped in fulfilment of that order.

INDIAN ACCOUNTS. Since 1899, the Indian Government Accounts are no longer presented in tens of rupees (Rx), but in fifteens of rupees—*i.e.*, 15 rupees = £1.

INLAND BILL. "A bill which is, or on the face of it purports to be, (a) both drawn and payable within the British Islands; or (b) drawn within the British Islands upon some person resident therein. "Any other bill is a foreign bill." See Bills of Exchange Act, Section 4. (For stamp duty, the Isle of Man and the Channel Islands are foreign bills.)

INSCRIBED STOCK. Stock, the only title to which is the entry in the register of the body or company issuing it. No certificate is issued to the holder. See page 118.

INSTALMENT. That part of a sum which is payable at a certain time.

INVESTMENT. The outlay of money on the construction or purchase of some property of a lasting nature.

INTEREST. That which is paid for the use of borrowed money, "compensation for delay in payment"—*Bond v. Barrow Hamatite Steel Co.*

INVOICE. A written statement giving particulars of goods sent.

I O U. A simple written acknowledgment of a debt. Not a negotiable instrument.

ISSUE DEPARTMENT. The department of the Bank of England where the business relating to the issue of the promissory (bank) notes of the Governor and Company of the Bank of England is carried on. See Bank Charter Act, Section 1.

JETTISON. The act of throwing overboard goods to lighten a ship.

JOBBER. A merchant on the Stock Exchange who buys or sells through brokers the stocks and shares in which he deals.

JOINT AND SEVERAL. A term used to denote the liability of persons who have jointly accepted a liability, and are each one liable for the full amount of it.

JOINT STOCK COMPANY. An association of not less than seven persons having a paid-up or nominal capital of fixed amount either divided into shares also of fixed amount, or held and transferable as stock. See Companies Act, 1862, Section 181; see Public Company.

JUDICIAL TRUSTEE. A person appointed by a Court of Justice under the Judicial Trustees Act, 1896, to act as trustee.

JUDGE'S ORDER. An order of a Judge directing, with the consent of all parties to a suit, the stay of proceedings and the levying of execution on a debtor's goods in stated eventualities.

JUDGMENT DEBT. A debt which has been proved in an action at law to the satisfaction of a Court of Justice.

KITES. Accommodation bills.

LAC. 100,000 rupees.

LAND REGISTRATION. The act of registering the transfer of title to a piece of land in a public office (as opposed to "conveying" it by deed).

LAW, CONFLICT OF. *Locus regit actum.* If an act is legal in the country where it is or should be done, it is, speaking generally, allowed in other countries. As to bills of exchange, see Bills of Exchange Act, Section 72.

LAW MERCHANT. The usages among merchants concerning principles not generally recognised by common law, which are so widely accepted by traders as to be held binding on all. As to its creation, see *Bechuanaland Co. v. London Trading Bank*.

LEASEHOLD. A tenure of land or buildings held by a tenant for a defined period at a stated rental.

LEEMAN'S ACT, 1867. An Act to prevent the making of contracts for the sale and purchase of shares or stock in joint stock banking companies, whereof the sellers are not possessed, or over which they have no power of disposal. Such contracts are void if the distinctive numbers of the shares dealt in, or the name of the registered holder of the stock is not shown at the time of making the contract.

LEGACY. A bequest or gift under a will. If of land, it is a devise.

LEGAL TENDER. Gold coins: To any amount. See £ s. d.

Silver coins: An amount not exceeding forty shillings, but for no greater sum.

Copper coins: An amount not exceeding one shilling, but for no greater sum—Coinage Act, 1870, Section 4.

Bank of England Notes: To any amount, except by the Bank itself.

Country Bank Notes: To any amount, if no objection is made at the time of receipt—*Wright v. Reed*, and other cases.

LETTER OF APPLICATION. A letter from an intending investor requesting to be apportioned shares or stock in an undertaking. In reply, he receives either (a) Letter of Allotment, or (b) Letter of Regret.

LETTER OF ALLOTMENT. A letter issued by an undertaking informing the person addressed of the number of the shares or the stock that has been apportioned to him.

LETTER OF REGRET. A letter issued by an undertaking informing the person addressed that no shares or stock for which he has applied can be apportioned to him.

LETTER OF CREDIT (L/c). A letter addressed to a person authorising him to allow a specified person to dispose of a stated sum. When there are attached conditions, such as to deliver on acceptance the documents of title to the goods, in payment for which the bills are drawn, it is a documentary credit. If there are none such, it is an open credit.

LETTER OF INDICATION. The letter given to the holder of circular notes to enable those who cash the notes to identify the holder.

LIABILITY. A debt due to a creditor by his debtor. See Reserve Liability; Contingent Liability.

LIEN. "The right of one man to retain that which is in his possession "belonging to another till certain demands of him by the person "in possession are satisfied"—*Hammonds v. Barclay*. See Pawn. The legal ownership passes to the lender, but without right of sale. Drawing against goods does not create a lien on them. See *Ex parte Dever; re Suse*. Banks have a *general lien* on all securities lodged by a customer with them *as bankers*, unless there be an express or implied contract inconsistent with lien—*Brandao v. Barnett* (1846).

LIMITATIONS, STATUTES OF. On simple contract debts, six years—21 James I., c. 16, and amendments.

On specialty debts, twenty years—3 & 4 William IV., c. 42.

On mortgages, twelve years, 37 & 38 Victoria, c. 57.

If application to fulfil the contracts is not made within these respective periods, these acts bar the legal remedy for the recovery of the debt, but not the right to it.

LIQUID ASSETS. The debts and property of an undertaking which can be sold without great loss at any moment.

LIQUIDATION. See Winding-up.

LIS PENDENS. An action proceeding in a Court of Justice.

L/E. Egyptian £ = £1 os. 6d.

L/T. Turkish £ = 19s. 10d.

LLOYD'S. The meeting place in the Royal Exchange, London, of a society bearing the same name, and consisting mainly of insurance brokers and underwriters of marine and other risks. Incorporated by special Act in 1871.

LLOYD'S POLICY. The form of contract of indemnity most generally issued by the above to insure a marine risk.

LLOYD'S BOND. A document given by a corporation under seal, admitting its indebtedness to a specified person, and promising to repay with interest at a fixed date. It cannot be used to raise money for general purposes, but only to comply with statutory requirements—*e.g.*, to pay a debt. Said to be named after the counsel who invented it.

LONG EXCHANGE. The rate of exchange at which a foreign bill which is payable some (generally three) months after date of purchase is priced.

£ s. d. Schedule 1 to the Coinage Act, 1870, gives the maximum and minimum weights of coins which are legal tender. The maximum weight of a sovereign is there stated as 123.27447 grains, Imperial weight; the minimum being 122.5 grains.

M/d. Month's date.

M/s. Month's sight.

MAKER (OF A NOTE). The person who promises to pay.

MAKING-UP PRICE. The price fixed by the Stock Exchange at which bargains due on settling day, but not paid for, shall be carried forward to the next account.

MANIFEST. The document giving particulars of the cargo carried by a vessel.

MARGINAL CREDIT. A document authorising the addressee to place a sum at the disposal of a person, who must follow the instructions given in the margin of the authority.

MARGINAL NOTE. That part of the purchase-price (of bills bought) which is held back from the seller by the buyer as security against certain contingencies happening—*e.g.*, their payment on maturity.

MARKED CHEQUES. See page 12.

MARKET RATE. The rate of interest at which money is lent for short periods in the money market.

MARSHALLING ASSETS. The arrangement of the assets of a bank in the order of their realisability. Legally, the term is used to signify the arrangement of claims against a deceased person, so that they may be paid in the order of their legal priority.

MANDAMUS. An order issued by the High Court of Justice.

MATURE. To be due for settlement.

MEMORANDUM OF ASSOCIATION. The fundamental rules governing a joint-stock company—only changeable by permission of a Court of Law. See Articles of Association.

MEMORANDUM OF DEPOSIT. The document signed by a debtor stating that the securities he lodges are to be held as cover for the loan made to him, and undertaking to complete all legal forms when called on to do so.

MILLE. A thousandth part.

MINT. The place where bullion is coined by the Government. The Mint price is that at which the Mint buys gold in quantities of £20,000 and over, at £3 17s. 10½d. per oz. troy, consisting as to eleven-twelfths of pure gold and as to one-twelfth of alloy.

MONEY. A medium of exchange having a generally recognised value. Frequently applied to include bank notes. In a wider sense, it is used to signify any balance for which a bank desires investment. Money at call, see page 30.

MONEY MARKET. The resort where the above balances are lent and borrowed. In London there is no single meeting place, the offices of the dealers being close together.

MORTGAGE. The act of conveying as security for a debt, property which then passes into the legal, but not the actual ownership of the lender. The person conveying the property is the mortgagor, he to whom it is conveyed is the mortgagee. See Lien, Pawn.

NAME POLICY. A policy of marine insurance in which at the time of issue the name of the ship carrying the interest insured is stated.

N/E. No effects.

NEED, IN CASE OF. A memorandum on a bill stating where it will be paid if not met at maturity by the acceptor. Usually affixed to protect the credit of one of those who are contingently liable on the bill.

NEGOTIABLE INSTRUMENT. A written document of title to a debt, or other right, which, by the law merchant, is transferable either by delivery or by endorsement, or by both means, to another person, who, if he receives it *in good faith* and *for value*, then holds it entirely free from all claims of previous owners. See *London Joint Stock Bank v. Simmons*; *Richards v. Bank of England*.

NOMINATION FORM. A form entitling the person to whom stocks or shares are allotted to nominate another person to be the holder of them, without the necessity of a prior transfer by deed.

X.N. Without the above right of nomination.

NOTARY PUBLIC. An official who attests the truth of writings or acts in order to render them authentic. Abroad, he makes a solemn record of all important transactions.

NOTICE OF DISHONOUR. The notice required to be given by the holder of a bill, or an endorser, to parties liable on the bill in the event of its dishonour by non-acceptance or non-payment—See Bills of Exchange Act, Sections 48-50.

NOTING. The act of officially recording the non-acceptance or non-payment of a bill.

NOT NEGOTIABLE. A term used to warn the possessor of a document on which it is placed that he cannot have or convey to another person a better title to it than that which the person from whom he received it had.

NOVATION. The substitution of the liability of one party to a third person for that of another. The most common form is the assumption by an incoming partner of the liability of an outgoing one for the then existing partnership debts. See Partnership Act, Part I., Section 7.

O/A. On account.

% Per cent.

‰ Per mille.

OFFICERS OF A COMPANY. Those persons who stand in a fiduciary relationship to a company. Bankers are not generally officers.

OBLIGATION. A bond.

OFFICIAL LIST. The Daily Stock and Share List—*i.e.*, the official record of the prices at which dealings have taken place on the Stock Exchange. Issued by London and provincial Stock Exchanges.

OPEN CHEQUE. A cheque which is paid without presentment through a banker. It may be to bearer or to order. See "Crossed" Cheque.

OPEN CREDIT. See Letter of Credit.

OPEN POLICY. A policy of marine insurance in which the value of the interest insured is not stated until it becomes insurable. See Valued Policy.

OPTION. The right to sell (*put*) or buy (*call*) goods within a stated time, and on stated conditions.

O/S. The old style of reckoning the calendar. Still in use in the Eastern Church. It is now thirteen days behind the New or Gregorian Calendar. It is written 1 — 13.

PAR. A state of equality. Neither at a premium nor at a discount.

Mint Par. The value of the metal unit of currency of one country expressed in terms of that of another having the same standard of value.

Par of Exchange. The condition in which there is an exact equipoise in the exchange between two countries. This is quite unascertainable.

PARI PASSU. Equal in rank.

PARTNERSHIP. "The relation which subsists between persons carrying on a business in common with a view to profit"—Partnership Act, 1890.

PARTNERSHIP COMMANDITE. A form of partnership obtaining in foreign countries, whereby the managing partners have an unlimited liability, and the others (commanditaire partners) limited liability.

PAWN. A contract depositing, as security for a debt, property which passes into the actual, but not the legal ownership of the lender, except under stated conditions. See Lien, Mortgage.

PAYEE. The person to whom a sum is to be paid.

PAYMENT IN DUE COURSE. "Payment at or after the maturity of the "bill to the holder thereof in good faith, and without notice that "his title to the bill is defective"—Bills of Exchange Act, Section 59.

PERMUTATION. The act of calculating in terms of the currency of one country, the equivalent for an amount stated in that of another.

PERSONALTY. Leasehold and all other property not coming within the definition of realty (which see). The shares in the New River Company and some canal companies are realty. Partnership property is treated as personalty for the purpose of the death duties.

"PIGS ON PORK." Bills with no collateral security, drawn abroad, and payable in London. They are not accepted for discount by the Bank of England.

PLEDGE. See Pawn.

POLICY. A document stating all the conditions on which a contract of insurance is effected. See Voyage and Time, Open and Valued, Name and Floating.

P.P.I. Policy proof of interest. A policy of marine insurance assuring a non-existing interest; therefore illegal.

POOL. An arrangement between several companies or persons, whereby their receipts are combined in one fund, and expenses and profits distributed according to agreed conditions.

POST DATE. The act of affixing to a document a date later than that on which the document is made.

POST OBIT. A bond by which the grantor binds himself to perform certain acts on the death of a person: generally one from whom he expects to inherit property.

PREFERENCE. Priority. A preference shareholder may rank in priority to ordinary shareholders, both as to capital and dividend.

PREMIUM. The excess of the market over the paid-up face value of stock or shares. The payments made to underwriters and insurance offices for insurances accepted by them.

PRESENTATION—PRESENTMENT. The act of exhibiting a document for acceptance or payment. As to what constitutes acceptance, see Bills of Exchange Act, Section 41. In Scotland, the owner of a presented but unpaid cheque or bill has a lien on the credit balance remaining at the customer's banker. In England, it is not so.

PRIMAGE. An allowance made by the consignee or shipper to the master of a vessel. Often commuted for salary.

PRINCIPAL. A capital sum lent out at interest.

The head of a firm.

The person for whom an agent acts.

PRIVATE BANK. A bank in which there are not more than ten partners. They have an unlimited liability for the debts of the bank.

PROBATE. The official copy of a will, proved to the satisfaction of a Court of Justice.

P.P. Per procuration. A term used to show that the writer has power to transact business for his principal. Generally the power is limited to the doing of certain acts.

PROFIT. The excess of the sale price of an article over its cost to the seller. Its opposite is "Loss," hence Profit and Loss Account. Compare "Revenue."

P.N. Promissory note. A negotiable instrument. "An unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to order of a specified person, or to bearer"—Bills of Exchange Act, Section 83.

PROMOTER. Anyone who is pecuniarily interested in the formation of a company.

PROMPT. An agreement between a merchant and a shipper or broker that the goods specified therein shall be paid for on a certain date, or on delivery, if required earlier.

PRO RATA. In the same proportion.

PROSPECTUS. "An invitation offering to the public for subscription or purchase any shares or debentures of a company"—Companies Act, 1900, Section 30.

PROTEST. A formal declaration by a notary of the presentment and non-acceptance or non-payment of a bill.

PROXY. A document authorising one person to vote for another.
The person so voting.

PUBLIC COMPANY. An association incorporated by Act of Parliament (special or otherwise), royal charter, or letters patent, for the purpose of trading.

QUOTATION. The recorded price of anything bought or sold. Shares have different nominal (face) values, as well as various paid-up values. The quotation is governed by the latter.

REALTY. "All freehold, copyhold, customary, and other hereditaments and heritable property, whether corporeal or incorporeal (*e.g.*, "right to light), in Great Britain and Ireland, except money secured on heritable property in Scotland, and all estate in such hereditaments"—Succession Duty Act, 1853. See Personality. Freehold may be subject to a rent-charge. Since 1897 it passes first to the executor of a will, instead of direct to the heir as theretofore.

REBATE. The amount of discount accruing on a bill between any one date and its due date. In taking up a bill under rebate, it is usual to do so at $\frac{1}{2}$ per cent. over the rate ruling for short term deposits, or $\frac{1}{2}$ per cent. under the Bank Rate.

REDISCOUNT. The act of selling a bill which has been received and discounted. See page 28.

RE-EXCHANGE. "The measure of the loss resulting from the dishonour of a country different to that in which it was drawn or endorsed"
—Chalmers in note to Section 57 Bills of Exchange Act.

R/D. Refer to drawer. The form of words generally used when returning an unpaid bill or cheque.

REGISTERED STOCK. Stock to which the title is shown by a certificate recording the fact of the registration of the owner's name in a register of the company.

REGISTRATION FEE. See Transfer.

RENT. Compensation exacted for the use or occupation of land or similar property.

(*Ground*) The compensation paid to the owner of land by its tenant.

(*Rack*) The utmost rent that can be obtained in circumstances most favourable to the landlord, as distinct from the rent that can reasonably be expected taking one year with another.

RENT-CHARGE. A sum payable out of and charged on realty for a stated period, or in perpetuity. See Annuity.

RENTES. The interest paid by the French, Italian, and other Governments on their stocks. Find the amount to purchase, say, 1,200*l.*
3 per cent. Rentes @ 102 thus:—

$$\frac{1,200 \times 100 \times 102}{3 \times 100} = 40,800*l.*$$

RENUNCIATION. The act of renouncing in favour of another person the rights to an allotment of new shares or stock.

RESERVE. The total amount of notes and coin held by the Banking Department of the Bank of England.

The sum of the amounts set aside, generally out of profits, to meet known or unknown contingencies. See "Rest."

RESERVED LIABILITY. That part of its capital which a banking company may declare not capable of being called up, except for the purpose of winding-up—Companies Act, 1879, Section 5.

RESPONDENTIA BOND. The document pledging the goods on board a vessel as security for a loan.

REST. The amount of the profits of the Bank of England not distributed to shareholders. See Reserve.

RETIRE. The act of withdrawing a bill from circulation, generally done by purchase.

RETURNS. Cheques and bills presented at the Bankers' Clearing House, but returned unpaid.

Statements recording the progress of business, sent periodically by branches to Head Office.

REVENUE. The excess of earnings over the expense of obtaining them. (Compare Profit.) In Government Accounts, revenue is used to denote income, as opposed to expenditure.

R.M. Reichs mark—German. Value one shilling.

ROUP. In Scotland, an auction.

ROYALTY. A sum paid to the owner for the right to work a mine or use a patent. It generally varies in amount according to the extent of the work done.

RUPEE LOANS. The internal loans of the Government of India, repayable in rupees.

S. E. & O. *Sauf erreurs et omissions.*

SALVAGE. The reward allowed for saving a ship or cargo from loss at sea. The cargo so saved.

SANS FRAIS. Incur no expense. An instruction sometimes found on a foreign bill.

SANS RECOURS. The disclaimer of an endorser of a bill for any liability in the event of its non-payment. The term a *forfait* is also used.

SAVINGS BANK. A bank in which small amounts are received and put out at interest to accumulate on behalf of the depositors; its directors, as such, deriving no benefit from such accumulations.

SCRIP. An interim certificate issued whilst instalments are being paid on the stock or shares to which it entitles the holder.

SECURITY. Anything deposited to assure the performance of a contract, or the payment of a debt.

SEIGNIORAGE. The profit made by the Mint on the coinage of bullion.

SELLING OUT. The sale on the Stock Exchange by its official broker of stock which a member has failed to take up in ten days from the settling day.

SET-OFF. The counter-claim of a debt due, by one of like degree which is owing.

SETTLING DAY. On the Stock Exchange, the day on which dealings made since the last settlement are paid.

SPECIAL SETTLING DAY. The first day appointed by the Stock Exchange for the settlement of dealings in stocks or shares newly issued.

SHARE CAPITAL. That amount of the capital issued by a public company, the face value of which can only be divided into definite equal parts. See Stock; also Preference, Founders'. The issue of shares at a discount is not legal—*Welton v. Suffery*.

SHIPPING DOCUMENTS. Invoice of goods shipped, the policy insuring them whilst in transit, and the complete set of the bills of lading. Ship's papers are the documents which the captain holds to prove the identity of the ship, the cargo it carries, the health of its crew, &c.

SHORT BILLS. Bills received for collection.

SHORT EXCHANGE. Cheque rate. The rate of exchange at which a foreign bill which is payable at eight days or at sight is priced.

SIGHT. Days after sight begin to run from the day on which acceptance is demanded.

SINKING FUND. A fund created for paying off a debt, either by instalments, or in total at the end of a fixed term.

SOLA. A bill of exchange of which there is no copy made in duplicate or triplicate.

SPECIALTY. A contract under seal.

SPECIE. Bullion coined and used as a medium for the settlement of commercial transactions.

SPECIE POINT. The point in the market rate of exchange at which it is more profitable to export bullion than to purchase and remit bills of exchange.

SPECULATION. "The struggle of intelligence against chance."

STAG. One who applies for new shares or stock in the hope of immediately selling his allotment at a premium.

STANDING ORDER. A customer's order to his banker to perform an action, and to continue to do so at stated times without a renewal of authority.

STERLING. A term applied to the £ on account of its high standard of purity. Probably a corruption of Easterling, a body of Germans trading in England in the middle ages, whose money was very pure.

STOCK. That amount of the capital issued by a public company, the face value of which can be divided at the will of the owner into parts of varying amount. See Share Capital.

STOCKBROKER. A person who buys and sells stocks and shares for clients. He acts on the Stock Exchange through a jobber (*q.v.*)

STOCK EXCHANGE. The meeting place of those who deal in shares and stocks of public companies and governments. In London, only persons duly authorised are admitted to the House. They are either brokers, jobbers, or their authorised clerks.

STOPPAGE IN TRANSITU. The right of an unpaid seller to stop goods before they pass into the control of a purchaser who has become insolvent. It is not operative against a *bonâ fide* holder for value. See Factors' Act, Section 10, and Sale of Goods Act, 1893, Section 47.

SUBPENA. An order of a Court of law commanding the attendance of the person on whom it is served.

SUBSIDY. A grant in aid.

SUPRA PROTEST (S.P.). After protest.

SURETY. One who gives security for another.

SUSPENSE ACCOUNT. An account to which an item is placed pending decision as to its proper destination.

SWEATING. The act of fraudulently reducing the weight of coins.

TACKING. The act of converting an equitable charge on a property into a legal estate in it by uniting the mortgages of different priorities in favour of the same mortgagee, so as to make the whole rank with the highest grade united, and reducing to an inferior status mortgages previously ranking between those united. See *Marsh v. Lee*.

TALON. That part of a bearer bond which is surrendered to obtain a new sheet of coupons, when the coupons previously issued have all been paid.

TARE. The allowance made in weighing goods for the weight of the box, truck, or other receptacle in which they are placed.

TELQUEL RATE. The rate of exchange at which a bill, whose currency is not that customary to its class, is priced.

TENANT-IN-COMMON. Each tenant-in-common holds his share in the common property as a complete and separate estate.

TENANT JOINT. In a joint tenancy all the tenants are jointly the owners of the estate.

TICKET DAY. On the Stock Exchange, the day before settling day, when the tickets circulated for stock bought or sold are passed between brokers and jobbers.

TIME BARGAIN. A contract of sale or purchase to take effect at a future date.

TIME POLICY. A policy of marine insurance in which an interest is insured for a specified period.

TITHE. The tenth part of anything, generally the produce of land.

TOKEN MONEY. That part of the currency of a country which circulates, not by reason of its intrinsic worth, but owing to the legalised relation which it bears to that which is unlimited legal tender.

TONTINE. A form of joint life insurance by which the benefit accrues to the survivor.

TRANSFER. A signed document recording the contract for the sale of property. To give the transferee a good title it must be registered. See *Powell v. London and Provincial Bank*.

TRANSFER CERTIFIED. A form of transfer on which an independent authorised person has certified that he holds at the disposal of the owner the certificate of title to certain stocks or shares.

TRANSFER FEE. A fee paid on the registration of a deed of transfer of shares.

TREASURY BILL. A negotiable instrument. A bill of exchange issued by the Lords Commissioners of H.M. Treasury. It differs from an Exchequer Bond mainly in being current for a shorter period, and in having no interest paid periodically, being discounted like commercial bills.

TRUST. "A confidence reposed by one person in another, and enforceable in a Court of Equity"—*In re Williams*.

An estate entrusted to the ownership of a person, but so that he shall deal with it and its income in accordance with his instructions. The person to whom the estate is entrusted is the *trustee*, he for whose benefit he owns it, the *cestui que trust*.

A combination of different enterprises working together for the same end.

TRUST STOCKS. Stocks in which a trustee may invest. Full particulars as to investments permitted to trustees—and by Courts of Law—is contained in the "Stock Exchange Official Intelligence."

TURN OF THE MARKET. The gross profit retained by the jobber on the Stock Exchange, being the difference between the price at which he sells and that at which he buys.

TURN OVER. In banking, the total of the debits or the total of the credits placed to an account in a given period.

In trade, the total sales within a given period.

UNCLAIMED DIVIDENDS. Dividends on stocks or shares not claimed by their owners. Those on British Government securities are paid over to the National Debt Commissioners at the end of ten years, but the liability remains.

UNDERWRITER. One who subscribes to a contract of indemnity, either of insurance against specified risks, or against failure to obtain applicants for a specified number of shares or amount of loan.

UNFUNDED DEBT. "The floating debt." That part of the National Debt which is charged for a short period on the public revenues as security to the National creditors. See Funded Debt.

USANCE. The period which local custom dictates shall be the currency of a bill of exchange—days of grace not included.

UTTER. To put into circulation. The term is generally used in connection with unauthorised coin or notes.

VALUATION. The act of estimating the worth of anything.

VALUED POLICY. A policy of marine insurance in which the value of the interest insured is stated. See Open Policy.

VALUE RECEIVED. The acknowledgment of a *bonâ fide* transaction.

VOUCHER. A document attesting the truth of a statement.

VOYAGE POLICY. A policy of marine insurance in which an interest is insured for a specified voyage.

WAGER POLICY. See P.P.I.

WAIVER. The renunciation of a right.

WAREHOUSE-KEEPER'S CERTIFICATE. A document issued by warehouse-keepers certifying that the goods mentioned therein are held in their warehouses. Its negotiability is governed by the Factors' Act (see Sections 1 (4) and 2-10), or by certain private Warehouse Companies' Acts, and it is transferable, unless the contrary be stated.

WARRANTY. An agreement with reference to goods which are the subject of a contract of sale but collateral to the main purpose of such contract, the breach of which agreement gives rise to a claim for damages but not to a right to reject the goods or to treat the contract as repudiated. See Sale of Goods Act, Section 62.

WATERING. The act of increasing the face value of stock or shares without making any equivalent increase in the value of the assets they represent.

WIND BILLS. See Accommodation Bills.

WINDING-UP. The act of settling the debts and closing the business of an estate.

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